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U.S. Department of Agriculture

1967 BUDGET

EXPLANATORY NOTES

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STATISTICAL REPORTING SERVICE

CONSUMER AND MARKETING SERVICE

FOREIGN AGRICULTURAL SERVICE

INTERNATIONAL AGRICULTURAL

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AGRICULTURAL STABILIZATION

AND CONSERVATION SERVICE

C O N T E N T S

(Volume 2)

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ECONOMIC RESEARCH SERVICE

Purpose Statement

The Economic Research Service was established by Secretary's Memorandum No. 1446, Supplement No. 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service develops and carries out a program of economic research designed to benefit farmers and the general public. The findings of this research are made available to farmers and others through research reports and through economic outlook and situation reports on major commodities, the national economy, and the international economy. The Service carries out the following major activities:

1. Farm economics research consists of a nationwide program of research dealing with the economic problems of agricultural production and resource use. Farm production economics research includes analyses of farm production costs and efficiency, use of capital and labor in agriculture, profitable adjustments in farming, and financial problems of farmers. Natural resources economics includes studies on the extent, use and management of land and water resources; on resource institutions; and on watershed and river basin development problems. Economic development research includes a broad program on economic development of rural areas, opportunities and employment of rural people and factors affecting them, including local governments and their organizations.
2. Marketing economics research includes economic and cost analyses and research relating to the marketing of specific agricultural commodities; the organizational structure and practices of commodity markets; costs and margins involved in the marketing of agricultural products; farmers' bargaining power; the economics of product quality and grade; market potentials, distribution and merchandising of agricultural products; and the economics of transportation.
3. Domestic and foreign economic analysis. Domestic economic analysis consists of economic and statistical research on agricultural prices, farm income, commodity outlook and situation, the supply and consumption of farm products, farm population and rural life, and agricultural history. Foreign economic analysis includes economic studies of supply of, demand for, and trade in farm products in foreign countries and their effect on prospects for U.S. exports; analysis of farm export programs, progress in economic development and its relationship to sales of farm products; assembly and analysis of agricultural trade statistics; and analysis of international financial monetary programs and policies, as they affect the competitive position of U. S. farm products.

4. Research under Sections 104(a) and (k) of P.L. 480. Economic analyses and research projects beneficial to the United States which can be advantageously conducted overseas by foreign research institutions and universities are financed with foreign currencies through contracts and grants. Professional personnel carefully review and appraise for technical adequacy these projects prior to carrying on the negotiations leading to contract execution. During the course of the work, the service periodically appraises progress and methods used in the contract or grant, and reviews reports produced as a part of the project. The Explanatory Notes under the Foreign Agricultural Service and the Agricultural Research Service contain discussions of 104(a) and (k) activities.
5. Work performed for others. The Economic Research Service performs research services for other Federal, State and private agencies on a reimbursable or advance payment basis. These include special studies of agricultural economics of foreign countries, the Agency for International Development foreign visitor training program, special economic studies on water and land conservation programs and practices, appraisals of price-support and production control programs, and various types of marketing studies.

The Service functions through a central office in Washington, D. C., and through a field organization consisting of 70 duty stations which is involved chiefly in farm and marketing economic research. Much of the research is carried on in cooperation with State experiment stations, State Departments of Agriculture or Marketing, and other State institutions.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Economic Research Service:						
Salaries and expenses....	\$11,222,143:	831:	\$11,782,000:	934:	\$12,547,000	973
Obligations under other						
USDA appropriations:						
Soil Conservation						
Service:						
Watershed						
planning.....	22,592:	2:	23,300:	2:	25,700	2
Watershed						
protection	619,156:	57:	1,068,900:	98:	1,477,600	134
Flood prevention ..	38,857:	4:	45,200:	4:	45,600	4
Resource conserva-						
tion and						
development ...	72,000:	7:	86,000:	6:	136,000	9
Great plains con-						
servation						
program	- -	- -	21,000:	1:	41,000	1
Farmers Home						
Administration						
Rural renewal	26,979:	3:	27,700:	2:	28,000	2
Agricultural Stabili-						
zation and Conserva-						
tion Service:						
Economic cost sur-						
veys relative to:						
CCC storage ac-						
tivities of						
grains, cotton,						
and dairy						
products	- -	- -	69,500:	6:	69,500	6
Evaluation of the						
Cropland Con-						
version Program.	35,000:	2:	40,000:	4:	40,000	4
Conclusion of cot-						
ton handling cost:						
study at the						
ports and in the						
Southwest and						
California	36,000:	3:	- -	- -	- -	- -
Agricultural Research						
Service -						
Nationwide Food						
Consumption						
Survey.....	15,000:	1:	- -	- -	- -	- -

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Consumer and Market-						
ing Service -						
for research on						
the Food Stamp						
study	7,500:	1:	100,000:	3:	50,000:	3
Foreign Agricultural						
Service -						
for travel in						
support of for-						
oreign market						
development	21,121:	- -:	36,300:	- -:	36,300:	- -
Various USDA agencies						
for personnel						
details	40,567:	2:	39,706:	3:	36,723:	3
Total, Other						
USDA Appro-						
priations ..	934,772:	82:	1,557,606:	129:	1,986,423:	168
Total, Agricultural						
Appropriation Bill ..	12,156,915:	913:	13,339,606:	1,063:	14,533,423:	1,141
Other funds:						
Agency for Interna-						
tional Development:						
Training of foreign						
participants	55,612:	5:	66,200:	5:	73,800:	5
Technical consulta-						
tion	94,894:	9:	119,800:	10:	119,800:	10
Special Projects ...	503,411:	30:	711,900:	37:	946,900:	47
Reimbursement for						
details of						
personnel	10,378:	1:	1,647:	- -:	- -:	- -
Total, Agency for						
International						
Development	664,295:	45:	899,547:	52:	1,140,500:	62
Assistance to Economic						
Development						
Administration						
(Dept. of Commerce):						
Operations	45,559:	4:	8,000:	1:	- -:	- -
Technical assis-						
tance	23,000:	3:	6,000:	- -:	- -:	- -
Research projects ..	67,929:	1:	- -:	- -:	- -:	- -
Total, EDA						
program	136,488:	8:	14,000:	1:	- -:	- -
National Commission on						
Food Marketing:						
Provide special an-						
nual price spread						
data and data on the						
distribution of con-						
sumer food dollar						
in 1963	32,000:	3:	- -:	- -:	- -:	- -

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Compile, study and						
analyze data on the						
broad structural						
characteristics of						
various marketing						
systems	- -	- -	95,000:	9:	- -	- -
U. S. Department of In-						
terior -						
economic analysis of						
costs and benefits of						
securing and main-						
taining public						
access for recrea-						
tional uses of public						
lands.....	7,910:	1:	12,000:	1:	12,000:	1
U. S. Department of						
Defense,						
Office of Civil						
Defense -						
for studies of						
available food						
stocks in restau-						
rants and retail						
food inventory						
estimates	36,220:	2:	- -	- -	- -	- -
National Aeronautics and						
Space Administration -						
for analysis of po-						
tential economic						
benefits of agricul-						
tural resource sur-						
veys utilizing manned						
orbiting space						
stations	28,000:	1:	145,725:	10:	66,275:	3
Corps of Engineers and						
Public Health Service -						
economic studies of						
watershed management						
projects	199,455:	17:	180,300:	15:	180,300:	15

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- :Years	Amount	Man- :Years	Amount	Man- :Years
Economic research under	:	:	:	:	:	:
funds received from	:	:	:	:	:	:
States, local organiza-	:	:	:	:	:	:
tions and others for work	:	:	:	:	:	:
under cooperative	:	:	:	:	:	:
agreements	95,395:	5:	264,855:	4:	47,500:	4
	:	:	:	:	:	:
Miscellaneous	:	:	:	:	:	:
reimbursements	153,145:	14:	158,460:	14:	154,200:	14
Total, Other funds	1,352,908:	96:	1,769,887:	106:	1,600,775:	99
	:	:	:	:	:	:
Total, Economic Research	:	:	:	:	:	:
Service	13,509,823:	1,009:	15,109,493:	1,169:	16,134,198:	1,240

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Compile, study and						
analyze data on the						
broad structural						
characteristics of						
various marketing						
systems	- -	- -	95,000:	9:	- -	- -
U. S. Department of In-						
terior -						
economic analysis of						
costs and benefits of						
securing and main-						
taining public						
access for recrea-						
tional uses of public						
lands.....	7,910:	1:	12,000:	1:	12,000:	1
U. S. Department of						
Defense,						
Office of Civil						
Defense -						
for studies of						
available food						
stocks in restau-						
rants and retail						
food inventory						
estimates	36,220:	2:	- -	- -	- -	- -
National Aeronautics and						
Space Administration -						
for analysis of po-						
tential economic						
benefits of agricul-						
tural resource sur-						
veys utilizing manned						
orbiting space						
stations	28,000:	1:	145,725:	10:	66,275:	3
Corps of Engineers and						
Public Health Service -						
economic studies of						
watershed management						
projects	199,455:	17:	180,300:	15:	180,300:	15

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- :Years	Amount	Man- :Years	Amount	Man- :Years
Economic research under	:	:	:	:	:	:
funds received from	:	:	:	:	:	:
States, local organiza-	:	:	:	:	:	:
tions and others for work	:	:	:	:	:	:
under cooperative	:	:	:	:	:	:
agreements	95,395:	5:	264,855:	4:	47,500:	4
	:	:	:	:	:	:
Miscellaneous	:	:	:	:	:	:
reimbursements	153,145:	14:	158,460:	14:	154,200:	14
Total, Other funds	1,352,908:	96:	1,769,887:	106:	1,600,775:	99
	:	:	:	:	:	:
Total, Economic Research	:	:	:	:	:	:
Service	13,509,823:	1,009:	15,109,493:	1,169:	16,134,198:	1,240

Salaries and Expenses

Appropriation Act, 1966	\$11,536,000
Proposed supplemental, 1966, for increased pay costs	246,000
Base for 1967	<u>11,782,000</u>
Budget Estimate, 1967	12,547,000
Increase	<u>+765,000</u>

SUMMARY OF INCREASES AND DECREASES

	<u>1966 Available</u>	<u>Increase or Decrease</u>		<u>1967 Estimate</u>
		<u>Pay Costs</u>	<u>Other</u>	
For research on economics of re- source development and use in Appalachia	a/	- -	+\$388,000	\$388,000
For study of rural incomes, living conditions, community facilities, and development opportunities ...	\$71,400	+\$500	+276,000	347,900
For economic analyses of water management and use problems in agriculture.....	208,200	+1,600	+154,000	363,800
For economic analyses of basic statistics and related research on farm income parity	357,800	+2,700	+51,000	411,500
For study of away-from-home market for food	200,000	- -	-200,000	- -
All other	10,944,600	+91,200	- -	11,035,800
Total	<u>11,782,000</u>	<u>+96,000</u>	<u>+669,000</u>	<u>12,547,000</u>

a/ Does not reflect \$300,000 appropriated late in fiscal 1965 to remain available through 1966. Of this amount, \$18,660 was obligated in 1965 and \$281,340 in 1966.

PROJECT STATEMENT

Project	1965	1966 (estimated)	<u>Increases and Decreases</u>		1967 (estimated)
			<u>Increased</u>	<u>Other</u>	
			<u>Pay Costs</u>	<u>Other</u>	
			(P.L. 89-301)		
1. Farm economics ..	\$5,221,887	\$5,145,000	+\$46,600	+\$818,000(1)	\$6,009,600
2. Marketing econo- mics	3,032,330	3,586,800	+29,400	-200,000(2)	3,416,200
3. Domestic and for- eign economic analysis	2,905,454	3,050,200	+20,000	+51,000(3)	3,121,200
Unobligated balance.	62,472	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)	(- -)	(246,500)	(+132,400)	(+19,000)	(397,900)
Total available or estimate	11,222,143	11,782,000	+96,000(4)	+669,000	12,547,000

INCREASES AND DECREASES

(1) An increase of \$818,000 for farm economic research consisting of:

(a) \$664,000 for intensified research on rural economic development as follows:

(1) \$388,000 for research on economics of resource development and use in Appalachia.

Need for Increase. The predominantly rural Appalachian region has been recognized as a severely depressed area for many decades. Official recognition is evidenced by the six-year program of economic development authorized under the Appalachian Regional Development Act of 1965.

An expanded program of research into the economic problems of Appalachia was undertaken late in fiscal 1965 with a \$300,000 supplemental appropriation to remain available through fiscal 1966. This increase includes \$306,000 (including increased pay costs) to continue this program, together with an additional \$82,000 to expand it further.

Plan of Work. In cooperation with the Appalachian Regional Commission, a program of research has been developed including an analysis of economic characteristics of the sub-regions, and obstacles and potentials for increased employment and incomes with emphasis on rural areas and the rural population.

The accelerated program includes the following:

Human Resources:

1. Development of studies of incomes and occupation of rural people, by counties and states in Appalachia, and trend relationships to proposed alternative development programs. ERS is working closely with the Bureau of the Census in developing additional and current county population and economic data, needed for studies to assist in programs to improve the economic conditions of the region's rural people.
2. Continuation of the classification of rural areas and their relationships to employment growth centers and other kinds of employment, and the appraisal of areas as to the kinds of economic activity that have resulted in growth or decline.
 - . Such research will enable the identification of different kinds of growth potential and investment needs in selected predominantly rural areas in Appalachia.
3. Continuation of studies to determine opportunities for full-time farming (employment and income raising activities) and of the problems involved in adjusting to these potentials in different areas of the region.
4. Investigation of the development program on opportunities for rural people, and analysis of the progress and effectiveness of pilot programs in rural areas.

This research and service will be in close cooperation with the Appalachian Regional Commission.

Natural Resources:

1. This research will build upon the analyses initiated in the 1966 Appalachia research program. Research will be expanded on the influence of various physical, economic and organizational factors that affect the use of land and its relationship to economic development in the region.
2. Recommendations for modification of resource institutions and organizations will be developed. Additional emphasis will be placed on the demand for, and potential of, Appalachian resources for recreation.

(2) \$276,000 for the study of rural incomes, community facilities, and development opportunities.

Need for Increase. Many rural residents are faced with critical and persistent low income situations. Among the most seriously affected are the rural aged and retired, the operators and residents of very small farms and subsistence-level farms, and people of all ages living in areas where economic opportunities are declining. Underemployment is common. Education, health, and other services are generally below standard. Sparse population, declining income opportunities and lowered living standards have had a serious effect on the ability of the rural community to provide its own remedies. These problems of rural America carry grave implications for the entire nation, as much urban poverty can be traced back to this rural seedbed. Among other essential elements in any program to develop the potentials of rural people and rural resources, economic analyses are required, analyses of community needs and opportunities. Also needed are studies of ways and means to bring various Federal programs to depressed rural areas, and ways to help rural communities find, and finance their own solutions to their problems.

Plan of Work.

1. Income improvement measures for the more than 3 million rural low income families will be evaluated. Types of low income farm situations will be identified, and reasons for low rural incomes will be analyzed by regions, by type of farm and by type of rural family situation. Adjustment possibilities will be considered pertaining to farm enterprise changes, credit, occupational adjustments, and retirement programs and activities.
2. It is already known that employment and income problems are due in part to education and training deficiencies. Analysis will be made of the education and training needs of rural people. Reasons for rural youth dropout, lack of general academic achievement and lack of participation in various training programs designed to upgrade unskilled rural workers will be studied. Particular attention will be given to factors that motivate rural youth to continue education and achieve training and skill levels for employment.

3. Much of rural low income and underemployment has its roots in a decline in agricultural employment. Research will evaluate the effectiveness of local industrialization and other efforts to provide off-farm and non-farm employment of rural people. Typical rural development districts and problem situations will be studied for their potential contribution to job development programs, and to other efforts that will foster economic growth.
4. Studies will establish benchmarks as means of measuring the adequacy of community facilities. Needs for additional facilities will be estimated. Projections of future revenues of local government units responsible for providing services to rural residents will be compared with the benchmarks. In this way, future financing problems can be forecast, and alternative methods of meeting critical needs can be devised.

(b) \$154,000 for economic analyses of water management and use problems in agriculture.

Need for Increase. This proposal is for expansion of economic studies of water quantity and quality management to selected regions and States, coordinated closely with field research studies under way in the Agricultural Research Service, State experiment stations, and other agencies. Research of this nature is being initiated in 1966 in the Lower Mississippi and the Northern Plains regions. The urgent need for expanded research on water management and use is reflected in the recommendation of the Federal Council for Science and Technology that Federal research be increased in all phases of water management. The Council especially cited the need for expanded research on economic aspects, which they considered to be the major deficiency in current programs. Cooperation of State experiment stations and State water resource institutes would be solicited in these studies.

Plan of Work. Research in 1967 under this proposal would be undertaken in additional high-priority areas in which major ARS research studies are under way. National analyses of water problems also would be undertaken.

1. Southwestern States: Anticipated here are two studies: (1) research on the economics of long-term management of important ground water areas in Arizona and other Southwestern States; and (2) research on the economics of managing tributary watersheds for an optimum division of rainfall into onsite use and offsite water yield, including research on water saving technologies and closed storage techniques.
2. Southeastern States: Agricultural water management problems of major concern include the determination of the economics of adopting supplemental irrigation, optimum rates of irrigation water application, land management practices for erosion control and water management, economics of flood control and drainage for agricultural areas.

3. Northwestern States: Research is planned on the economic evaluation of hydrologic measurements from the ARS Northwest Hydrology Research Watershed at Boise for their relation to alternative land use systems and practices, to streamflow prediction, and to determination of benefits for onsite and offsite irrigation or other water uses.
4. Hawaii: Studies would include the value and cost of water used for various purposes, the economics of development of additional water resources, the legal and institutional arrangements with regard to water use, and the economic implications of these institutions.

- (2) A decrease of \$200,000 for a survey of the away-from-home market for food.

It is expected that the survey, to be made with matching funds from the food industry, will be completed in fiscal year 1966. Therefore, a decrease is provided in fiscal year 1967.

- (3) An increase of \$51,000 for analyses of basic statistics and related research on farm income parity.

Need for Increase. A primary objective of the commodity programs is parity of income for the efficient family farms. In order to measure parity in such terms, it is necessary to have much more accurate data than we now possess on farmers' income and expenditures classified by dollar volume of sales. Present estimates are largely derived from benchmark data that are 4 to 5 years old. Collection and analysis of benchmark data from new surveys and other sources are essential to obtain the accuracy and representativeness that the income series must have if they are to serve as policy guides for farm programs designed to obtain parity of income.

The need for additional analysis of farm income parity was recognized by the Food and Agriculture Act of 1965 which directed the Secretary to study this subject and report his findings to Congress by June 30, 1966. While it is expected that this study will be useful, it will not fulfill the long-term needs for more complete research-based information on farm income parity.

Plan of Work. Collection of corollary data and its processing will be done by established data collection agencies, on a contract of reimbursement basis. Attention will be directed toward collecting data on the economic structure of farms by the several value of sales classes with particular emphasis on areas for which information is now fragmentary or non-existent, such as value of productive assets in detail, depreciation expenses, and total farm production expenses. Possible data sources are the Statistical Reporting Service, the Pesticides Use Survey of ERS, the 1964 Census of Agriculture, and the 1965 Sample Survey. Other possible data sources include the Internal Revenue Service, case studies from Land Grant or other Universities, or the obtaining of information from other surveys bearing on the subject.

- (4) An increase of \$96,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

The following table identifies the Appalachia funds, authorized for 1965/1966 pursuant to P.L. 89-16, included in the previous project statement and the obligations against these funds:

PROJECT STATEMENT

(On available funds basis)

Item	:	1965	:	1966	:	Increase	:	1967
	:		:	Estimate	:	or	:	Estimate
	:		:		:	Decrease	:	
Obligations	:	\$18,660	:	\$281,340	:	-\$281,340	:	- -
Unobligated balance, end of year	:	281,340	:	- -	:	- -	:	- -
Unobligated balance, start of year ..	:	- -	:	-281,340	:	+281,340	:	- -
Appropriation or estimate	:	300,000	:	- -	:	- -	:	- -

STATUS OF PROGRAM

Economic research programs are directed toward finding answers to current and emerging problems of agricultural production and resource development, marketing and distribution. The work is divided into three financial projects. Current activities, progress, and trends are presented below on the basis of these financial projects.

FARM ECONOMICS RESEARCH

Current Activities: Farm economics research deals with many and varied economic problems of agricultural production and resource development. The work is concerned with the economics of organization and management of farms, extent and utilization of land and water resources, watershed and river basin development, use of capital and labor in agriculture, production and conservation practices, adjustments in production and resource use, economic development of rural areas, farm financial problems of credit, insurance, and taxation, and appraisal of alternative production and resource policies and programs.

Rapid technological change in agriculture and the tendency for farm production to outstrip growing demands for products give rise to continued need for economic adjustments in our farm economy. Farms are decreasing in number and increasing in size and degree of specialization. Farm machinery, fertilizers, and other innovations, are substituting for land and labor. These trends, along with continued concern over the use, development and conservation of the Nation's land and water resources, and with growing concern over income opportunities and other problems of rural people, especially those in chronically depressed areas, challenge the most rigorous research in the field of farm economics. Results of farm production and resource development economic research are used widely as aids in management decisions at the farm, area, watershed, regional, State, river basin, and national levels.

Selected Examples of Recent Progress:

A. Farm Production Economics Research:

1. Farm Output and Productivity: Preliminary estimates of 1965 total farm output indicate a new record high exceeding the record 1963 output by 4 percent and exceeding the 1957-59 average by 16 percent. Higher crop yields are responsible for the increase. Total livestock production decreased by one percent from the 1964 record high. This is the first time in five years that a decrease has occurred for livestock production. Poultry products set a new record 3 percent over the 1964 record high while dairy products remained at the 1964 level. Total livestock production was pulled down by a 4 percent decline in meat animals due to a reduction in hog production. Total animal units of breeding livestock remained about constant but production per unit of breeding stock declined one percent. Production of all crops exceeded the previous record by 4 percent. Total cropland used for crops has remained constant for the last 3 years. The increase in output comes entirely from higher yields which are estimated to average 4 percent above the previous record set in 1963. New yield records occurred for corn, oats, grain sorghums,

barley and rice. Soybeans yields were exceeded only in 1961 and 1963.

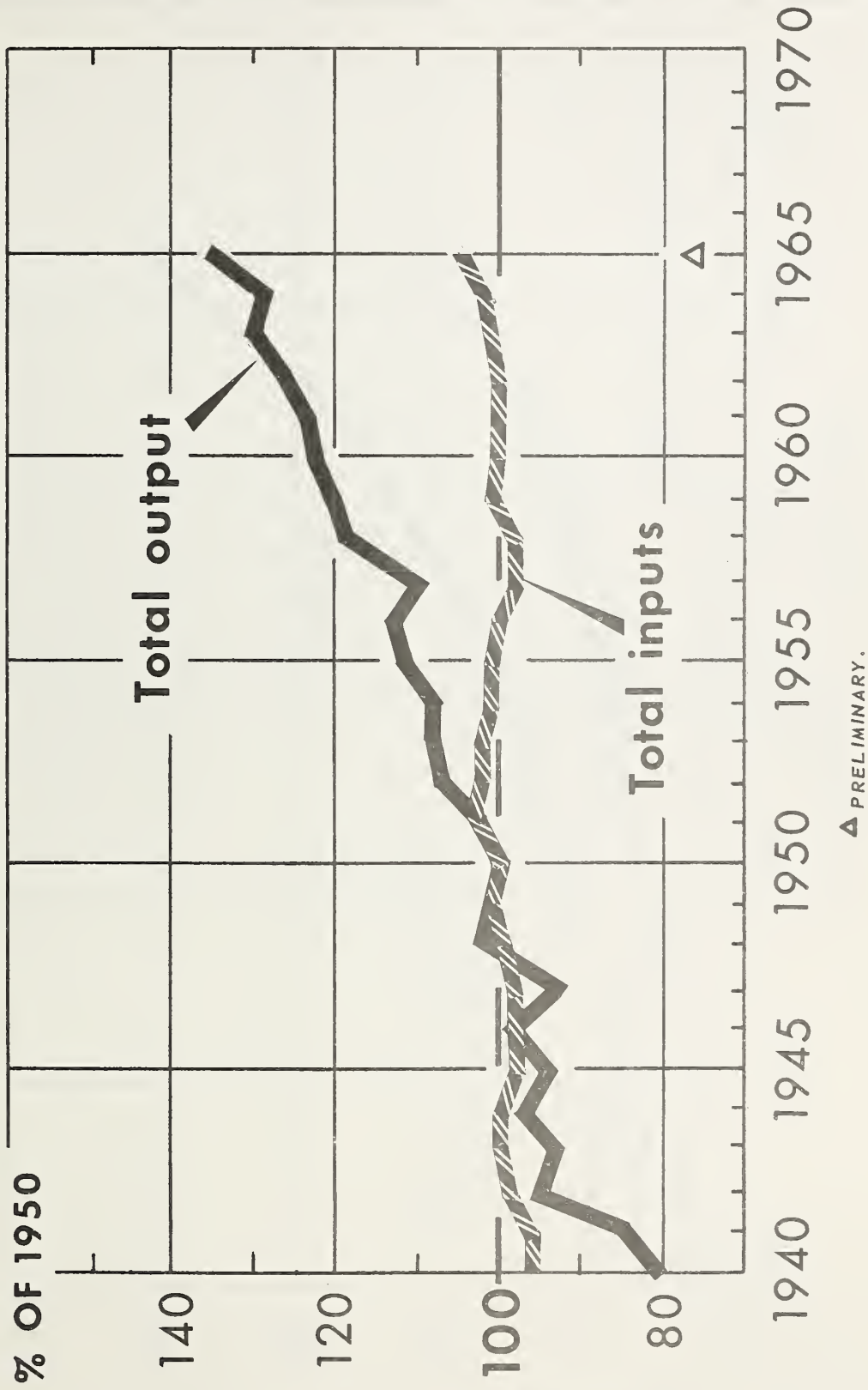
Total inputs used in agriculture in 1965 increased slightly above the 1964 level. Farm output per unit of input in 1965 set a new record, 2 percent above the previous high in 1963 about 4 percent above the 1964 level. Farmers in 1965 continued to use record quantities of nonfarm inputs, for example, fertilizer and liming materials increased nearly 10 percent, purchases of feed, seed and livestock increased one percent, while other miscellaneous inputs also continued to increase. Each of these inputs groups set new highs in 1965. Figure 1 summarizes input-output levels.

About 8.3 billion man-hours of labor will be used for farm production in 1965, compared with 8.4 in 1964. Farmers' ability to combine inputs more efficiently has made possible greater output per man-hour. Indications are that farm output per man-hour in 1965 increased about 6 percent above a year earlier, to a level about 50 percent above the 1957-59 average.

2. Farm Debt Shows Further Rise: Farm debt (excluding Commodity Credit Corporation loans) increased an estimated \$3.4 billion or 10 percent in 1965 (fig. 2). In the five years 1961 through 1965, debt increased \$14.6 billion, or 59 percent. Non-real-estate (short-term) debt rose 53 percent; real estate (mortgage) debt, 65 percent. During the five years, the value of farm assets continued to reach new record levels each year chiefly because of the rise in farmland prices. Aggregate net farm income showed comparatively little change until 1965, when it rose about 9 percent. A study of farm real estate loans from 1957 through 1965 showed, that, while debts in the aggregate had risen somewhat in relation to property values and had risen substantially in relation to incomes, farmers generally had been able thus far to meet their payments. Continued observation of the situation is needed, however, in view of the continuing pressure of the cost-price squeeze on debt-paying capacity. The farm debt expansion of recent years appears to have gone largely into financing farm enlargement, farm machinery and equipment, and other improved farming methods to increase efficiency and maintain income.
3. Variation in Net Farm Incomes Among Types of Farms: Annual estimates of net farm income are made for 42 important types of commercial farms in 24 major farming areas in the United States. Preliminary data are available for 1965 for 8 types representative of some of the major areas. On 6 of the 8, net incomes are higher this year than in 1964; net incomes are lower on 2. These are large-scale cotton farms in the Mississippi Delta and tobacco farms in the Coastal Plain of North Carolina (table 1).

The greatest gain in net farm income from 1964 to 1965 came on hog-beef fattening farms in the Corn Belt. Operators of these farms benefited from increased prices of fed cattle, hogs and soybeans, the important enterprises. These operators fed out 18 percent more cattle than in 1964 and the price spread between feeder cattle and fed cattle was more favorable.

FARM OUTPUT AND INPUTS

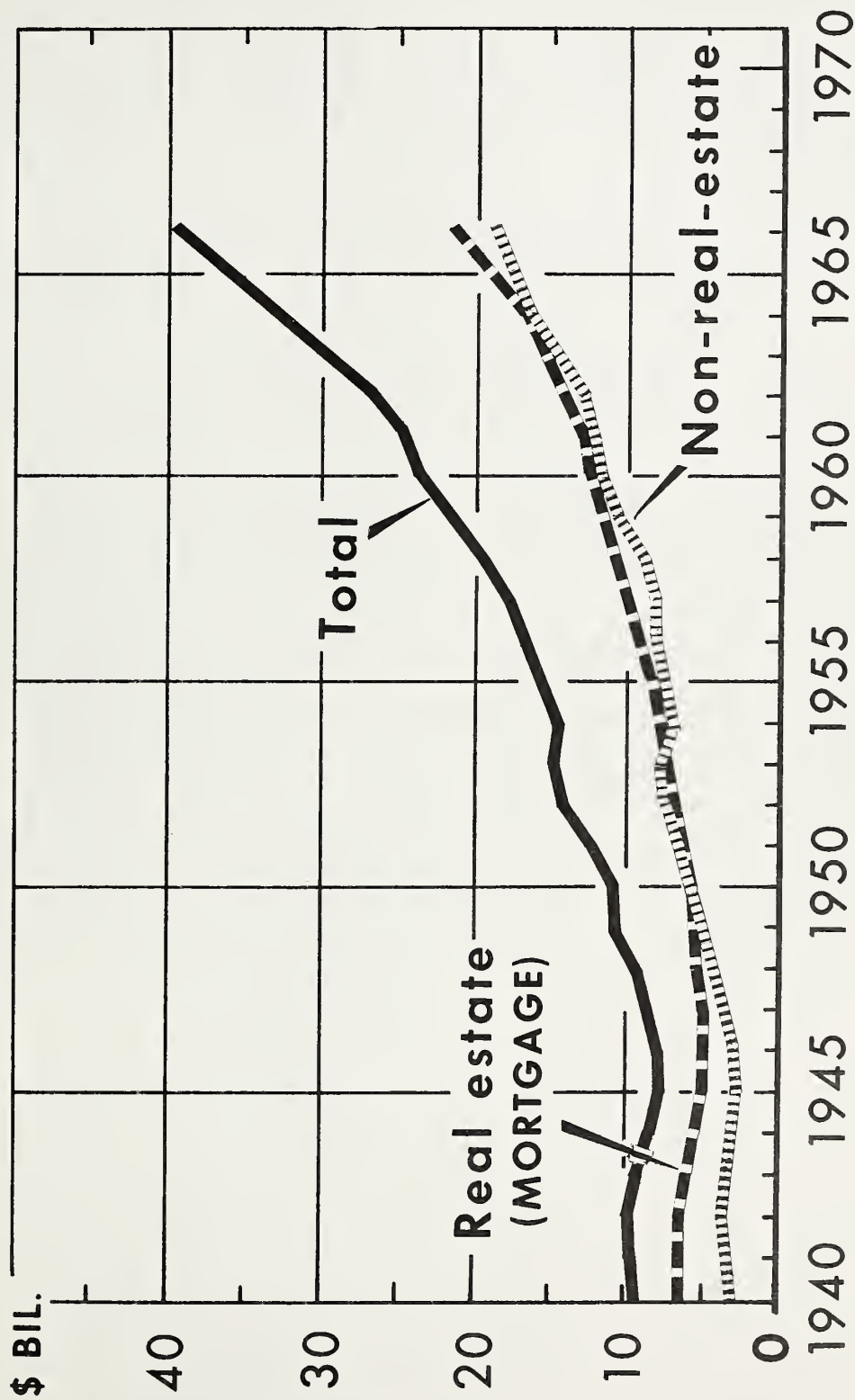


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FIG. 1

FARM DEBT



EXCLUDES CCC LOANS.

1966 ESTIMATED.



Table 1.--Net farm income, specified types of commercial farms, with comparisons

Type of farm and location	Average									
	Dollars					Dollars				
	1951-55	1956-60	1962	1963	1964	1965	1966	1967	1968	1969
Dairy farms:										
Central Northeast	3,753	4,196	3,492	4,101	4,178	---				
Eastern Wisconsin:										
Grade A	4,859	5,330	6,618	6,005	6,541	7,535				
Grade B	2,509	2,496	3,294	3,257	3,332	---				
Western Wisconsin, Grade B	3,032	3,350	4,653	4,831	2,837	---				
Dairy-hog farms, Southeastern Minnesota	4,016	3,878	4,664	4,545	3,904	---				
Egg-producing farms, New Jersey	4,130	2,751	2,433	2,093	2,470	2,723				
Broiler farms:										
Maine	2,060	2,962	3,450	3,665	3,692	---				
Delmarva:										
Broilers	---	---	2,220	2,241	2,433	---				
Broiler-crop	4,002	4,816	5,979	5,954	6,022	---				
Georgia	1,111	963	837	803	718	---				
Corn Belt farms:										
Hog-dairy 2/	5,142	6,728	6,970	6,850	7,173	---				
Hog fattening--beef raising	3,442	3,620	3,838	3,953	4,395	---				
Hog-beef fattening 2/	7,918	8,346	13,122	7,006	8,643	13,984				
Cash grain	8,412	7,400	10,065	11,374	12,205	---				
Cotton farms:										
Southern Piedmont	2,068	2,010	2,543	2,891	3,274	---				
Mississippi Delta:										
Small	1,945	1,742	2,084	2,708	2,383	---				
Large-scale	23,192	21,656	31,663	40,167	34,623	30,148				

--Continued

Table 1.--Net farm income, specified types of commercial farms, with comparisons--continued

Type of farm and location	Average									
	:					:				
	1951-55	1956-60	1962	1963	1964	1965	1966	1967	1968	1969
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Texas:										
Black Prairie	2,727	2,544	3,842	5,302	4,668	---	---	---	---	---
High Plains (nonirrigated)	3,042	6,838	7,923	10,320	1,676	---	---	---	---	---
High Plains (irrigated)	11,350	13,070	17,263	17,507	12,903	---	---	---	---	---
San Joaquin Valley, Calif. (irrigated):										
Cotton-specialty crop	39,780	45,584	30,271	23,723	58,290	---	---	---	---	---
Cotton-general crop (medium-sized)	26,111	26,798	27,961	32,117	36,067	---	---	---	---	---
Cotton-general crop (large)	77,115	82,376	85,906	93,922	108,785	---	---	---	---	---
Peanut-cotton farms, Southern Coastal Plains ..	2,613	2,878	3,897	5,674	5,181	---	---	---	---	---
Tobacco farms:										
North Carolina Coastal Plain:										
Tobacco 2/	3,521	4,416	6,341	6,099	6,429	6,204	16	---	---	---
Tobacco-cotton 2/	3,392	4,350	6,436	6,385	6,362	---	---	---	---	---
Kentucky Bluegrass:										
Tobacco-livestock, Inner area	6,473	7,127	7,836	9,786	6,530	---	---	---	---	---
Tobacco-dairy, Intermediate area	2,361	2,510	2,809	3,448	2,678	---	---	---	---	---
Tobacco-dairy, Outer area	3,890	4,530	5,429	6,288	5,323	---	---	---	---	---
Spring wheat farms:										
Northern Plains:										
Wheat-small grain-livestock	4,524	5,058	12,115	7,622	8,690	11,716	---	---	---	---
Wheat-corn-livestock	3,922	4,837	6,689	6,711	5,062	---	---	---	---	---
Wheat-fallow 2/	4,586	3,898	11,379	9,073	7,567	---	---	---	---	---
Winter wheat farms:										
Southern Plains:										
Wheat	8,006	8,377	13,062	9,086	8,271	10,748	---	---	---	---
Wheat-grain sorghum	4,932	7,001	11,141	7,024	6,949	---	---	---	---	---

-Continued

Table 1.---Net farm income, specified types of commercial farms, with comparisons---continued

Type of farm and location	Average									
	1951-55					1956-60				
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Pacific Northwest:										
Wheat-pea	13,712	12,934	19,460	17,408	15,190					
Wheat-fallow	12,910	13,814	16,874	15,275	13,836					
Cattle ranches:										
Northern Plains	5,434	4,574	7,252	7,385	6,043					
Intermountain Region	7,976	9,731	11,936	10,133	6,860					
Southwest	2,588	5,843	7,651	5,272	1,310					
Sheep ranches:										
Northern Plains	8,134	9,171	10,404	12,961	11,765					
Utah-Nevada	18,326	16,972	15,037	13,261	14,631					
Southwest	3,433	7,958	7,855	5,926	3,258					

1/ Preliminary.

2/ Revised.

3/ This is a new series, replacing the wheat-roughage-livestock farm, formerly published for this area.

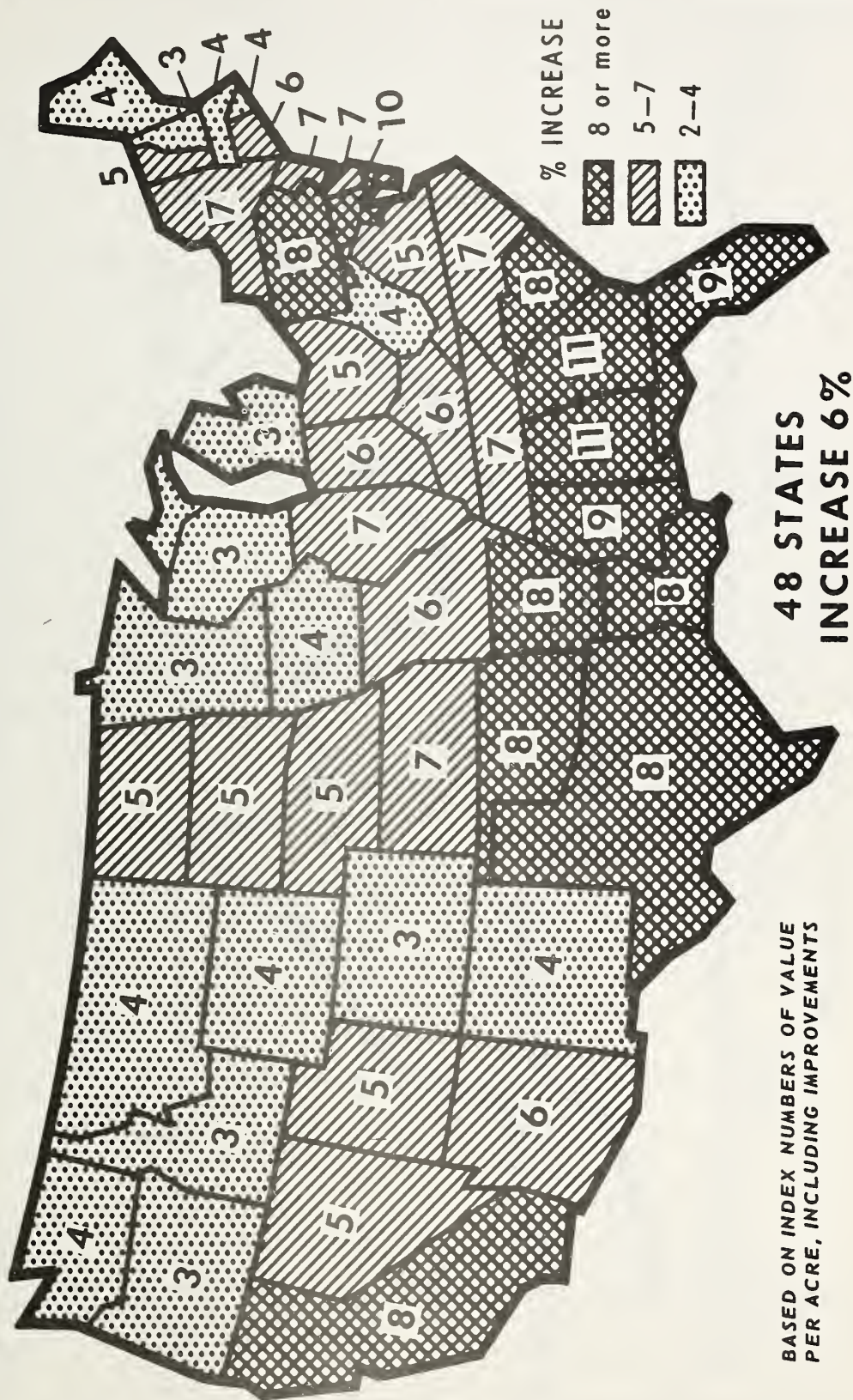
Net returns were lower on the Mississippi Delta cotton farms, primarily because of lower acreage, yields and prices received. Incomes were lower on the tobacco farms because of lower acreage and yields; prices received for tobacco were higher in 1965 than in 1964.

In 1964, net farm incomes averaged lower than in 1963 on 23 types of farms, higher on 18, and about unchanged on 1 of the 42 important types of farms. All of the farm types with lower incomes in 1964 had either lower production or lower prices received, or both. For farms with higher incomes, production increased on all but the sheep ranches in Utah and Nevada. These operators realized a 6 percent gain in average prices received. Compared with the 10-year average, 1951-60, net incomes on 31 of 41 types of farms in 1964 were from 1 to 89 percent higher. Net farm incomes on the remaining 10 types were from 1 to 69 percent below the 1951-60 average. Higher incomes per farm compared with the 10-year average reflect increased size of operating unit, higher crop yields, greater livestock production, and improved practices and efficiency. In general price-cost relationships were less favorable in 1964 than in the earlier period.

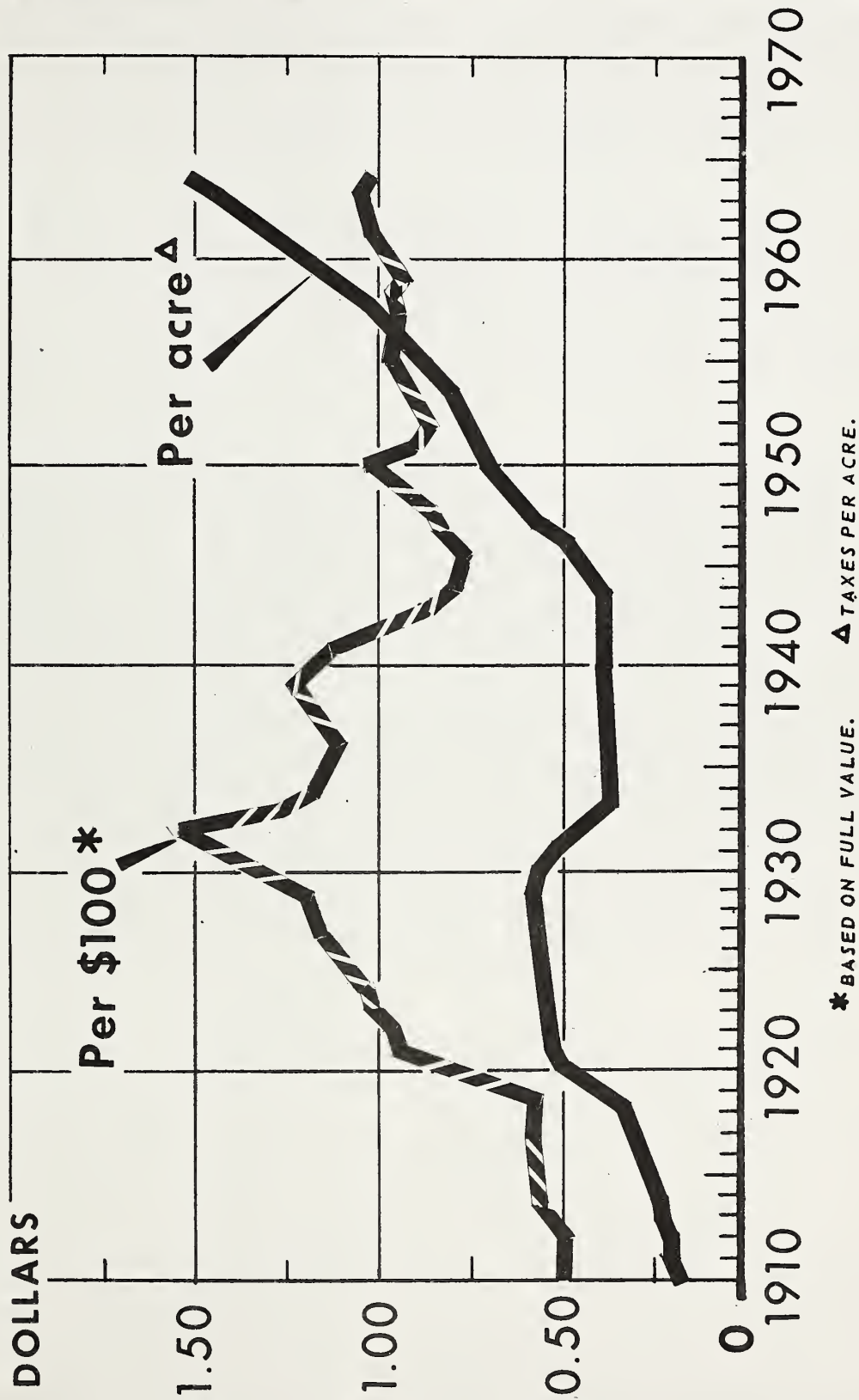
4. Farm Real Estate Values Continue Upward Trend: Market values of farm real estate showed about the same rate of increase in the year ended March 1, 1965 as in the previous year. State increases ranged from 3 or 4 percent in the Northeast, Mountain and Pacific regions to 8 percent or more in the Southeast and Southcentral regions (fig. 3). The national index advanced to 139 (1957-59=100), 6 percent above a year earlier and 1.5 percent above November 1, 1964. These gains in per acre values added \$8.6 billion to the estimated market value of all farm real estate. The total value reached \$159 billion, equivalent to \$52,200 per farm and \$146 per acre. Residual returns to land, after allowances for returns to other factors, have increased nearly as much as have market values since 1960. The average rate of return on market values averaged 5.0 percent in 1960-64 before an allowance for a return to management, and 3.5 percent after making such an allowance. The share of total net farm income allocable to land has increased almost steadily since the mid-1950's. The decline in number of farms and in the use of labor on farms has been chiefly responsible for increasing returns to land in a period when total net income has changed little.
5. Farm Taxes Continue Upward: Taxes levied on farm real estate increased again in 1964 for the 22nd consecutive year. These State and local levies averaged \$1.51 per acre, compared with \$1.43 in 1963 and \$.69 in 1950 (fig. 4). They amounted to \$1.02 per \$100 of full value of farm real estate. The total taxes levied on farm real estate were equal to approximately 3.7 percent of gross farm income, and to 10.7 percent of net farm income. The steady rise in farm taxes reflects increased costs of State and local government and steadily growing demands on these governments for more and better public services.
6. Economies to Size in Farming: Intensive studies of selected farm types supplement previous knowledge about the economic and institutional forces underlying shifts in the size distribution of farms. Most of the econ-

CHANGE IN DOLLAR VALUE OF FARMLAND

Percentages, March 1964 to March 1965



FARM REAL ESTATE TAXES

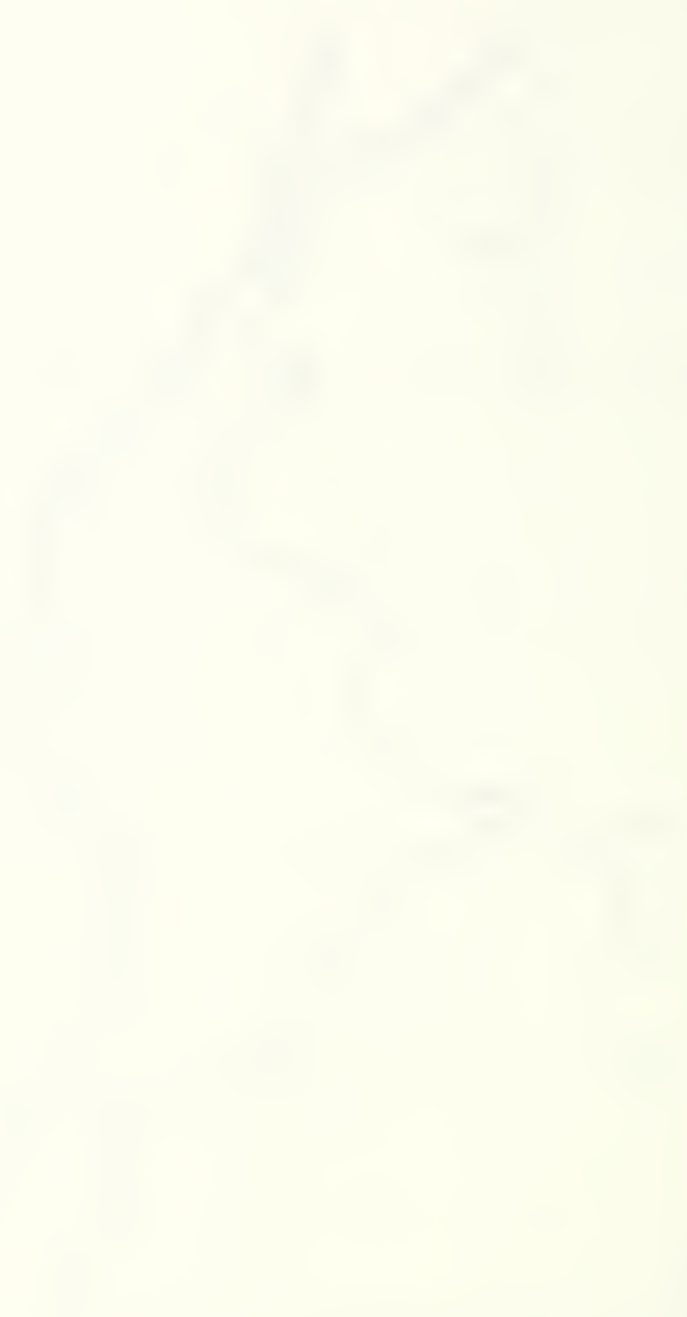


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FIG. 4

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omies attributed to size of business on those farm types studied to date are attainable by "medium sized" units. These efficient medium sizes include a 440-acre cotton farm in the Texas High Plains, a 600-acre cotton farm in Fresno County, California, a 45-cow dairy farm in Minnesota, and a 1,500-head beef-fattening enterprise in Colorado. All of these farm units can be managed and operated as a family-type farm, as it is conventionally defined.

These sizes of farm can achieve unit costs nearly as low as and, in some cases slightly lower than, any larger size. Larger sizes are little if any more efficient, but their larger volume leads to considerably greater profit. Study results suggest, however, that the attraction of higher profits offered by expansion to very large sizes often results in added risk and difficulty of coordination. This may help explain the coexistence to large and small farms. Intensive studies of more farm types are currently underway.

7. Appraisal of Cotton Production Costs Underway: Major studies are underway on the measurement of annual changes in the cost of producing cotton and on means of reducing production costs. A beltwide survey of 5,200 cotton producers has been completed and the resulting data are now being processed. These data are intended to fulfill the provision in the Agricultural Act of 1964, PL 88-297, that the Secretary of Agriculture consider, among other factors, the cost of producing cotton in setting price support levels for cotton.

Research is being expanded on the economic effects of changing technology in cotton production, with emphasis on means of reducing production costs. Cooperative research on cost reduction has been initiated with the Agricultural Experiment Stations of 3 states--Georgia, South Carolina, and Tennessee--and plans are to add other states to this list in 1966. Cooperative research studies have been initiated with 3 states--Louisiana, South Carolina and California--for the purpose of making special studies of land values and prices, with emphasis on alternative methods of estimating an appropriate land charge for cotton production. These studies will provide the basis for measurement and allocation of land costs on cotton farms.

8. New Project Underway to Predict Farmers' Aggregate Production Response: Crucial policy questions recur constantly which need systematic economic analysis. These include: What changes would occur in the total production of major U. S. commodities under alternative Government programs? How would those changes affect resource use and farm incomes? To help answer these and related questions through research, a "national econometric model" is being constructed for commercial U. S. agriculture. The goal of the new project is to estimate farmers' most likely production response to changes in prices, technology, resource availability, and Government programs. Results will be provided by region and type or size of farm as well as for the Nation as a whole. The model now includes 90 farming situations in 47 producing areas which account for the bulk of U. S. production of cotton, wheat, feed grains, and soybeans (fig. 5). This research represents an attempt to tie together,

and to make more predictive, the many pieces of farm adjustment research heretofore applied only to more local or more limited problems. Data are now being processed for a 1960-1964 test of the model's predictive reliability, to be completed by 1966. Plans are to improve methods, expand the coverage of commodities and farming situations, and update the production data annually--thereby permitting timely application of the model to important adjustment and policy questions.

B. Resource Development Economics Research:

1. Land Utilization Program of the 1930's: A historical analysis of the origin, development, and accomplishments of the land utilization program of the 1930's shows that 11.3 million acres of submarginal farmland consisting of 37,000 tracts were acquired by the government and converted to forests, grasslands, recreational areas, and wildlife refuges. In 1961, the primary uses of this acquired lands were as follows: grazing, 7 million acres; forestry, 2.5 million acres; and special uses, including parks, wildlife refuges and related areas, 1.8 million acres. Multiple use management is a standard practice with the grasslands and forests created from these projects also used for recreation and wildlife habitat. The study provides insights of value in designing and guiding future land retirement policies and programs.
2. State-Owned Rural Lands: An inventory of the extent and use of State-owned land shows that in 1962 the 50 States, collectively, held title to almost 85 million acres of rural land. About 27 million acres were used for parks and recreational areas, State forests, wildlife reserves, and institutional sites. Grazing was the predominant use of the remaining 58 million acres with farming and forestry less important uses (fig. 6). The size of land holdings varied greatly among the States. The largest acreages were held by the most Western States, the Lake States, New York, Pennsylvania, Alaska, and Hawaii. More than 60 percent of State-owned lands were acquired under grants from the Federal Government; and the remaining acreage was acquired through tax foreclosure and to a lesser extent by purchase.
3. Effects on Cropping Patterns of Increasing Water for Irrigation: Research attempted to evaluate the use and effect on crop production of increasing irrigation water supplies. A study of the land use changes resulting from the Colorado Big Thompson transmountain diversion project in Colorado was completed last year. This showed that 78 percent of the increase in water supplies was used to increase rates of water use on existing irrigated lands. The acreage of irrigated wheat per farm increased by 9 percent, beans by 20 percent, sugar beets by 26 percent, and corn by 45 percent. The acreage of irrigated barley decreased by 15 percent. Alfalfa acreages remained about the same, but the amount of water applied per acre of alfalfa increased by about 85 percent--to 23 inches from a rate of 12.5 inches.
4. Returns to Land and Operator's Labor: A study of the returns to the factors of production on selected types of Illinois farms indicate that part of operator's labor and management earnings had become imbedded

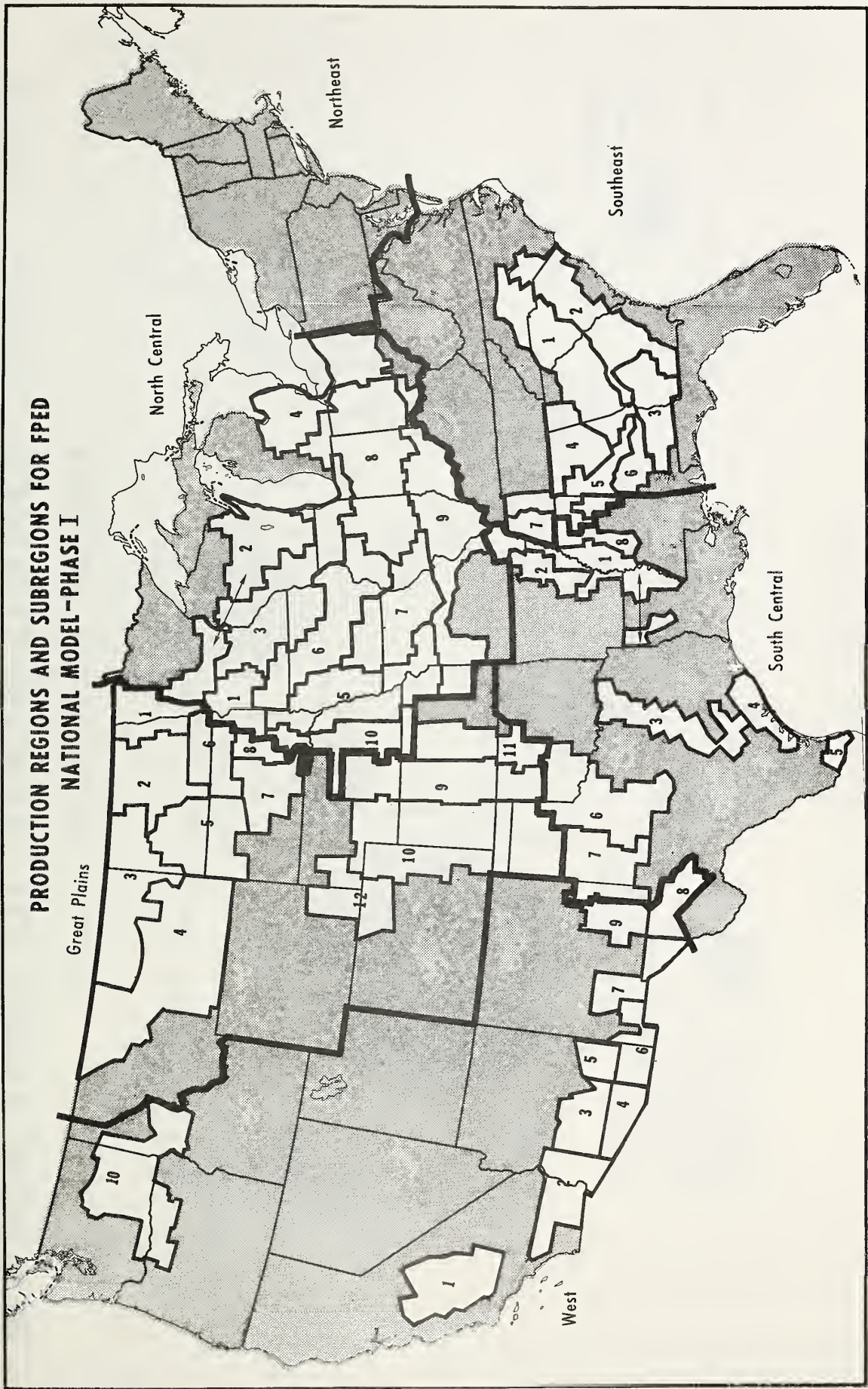
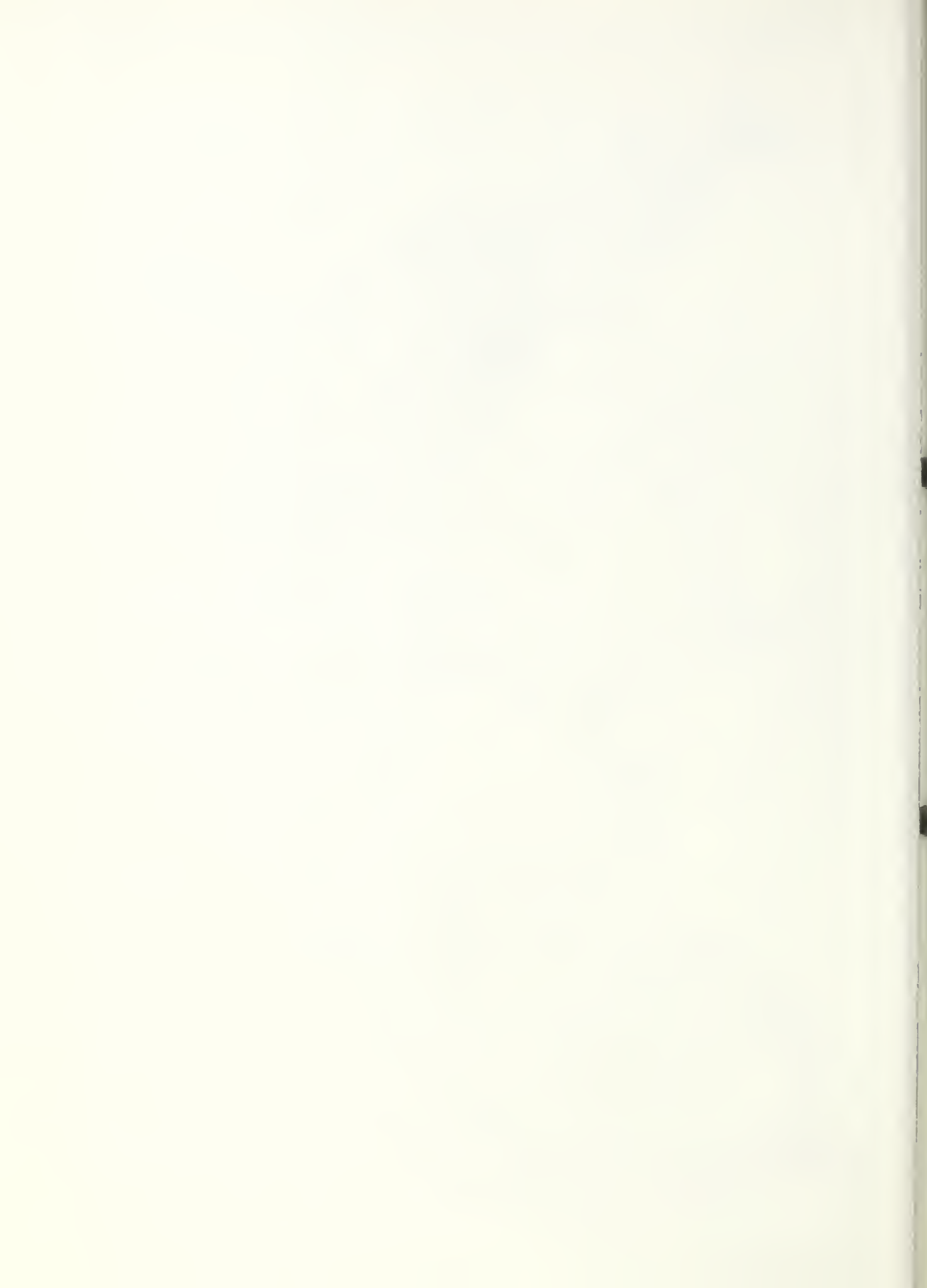
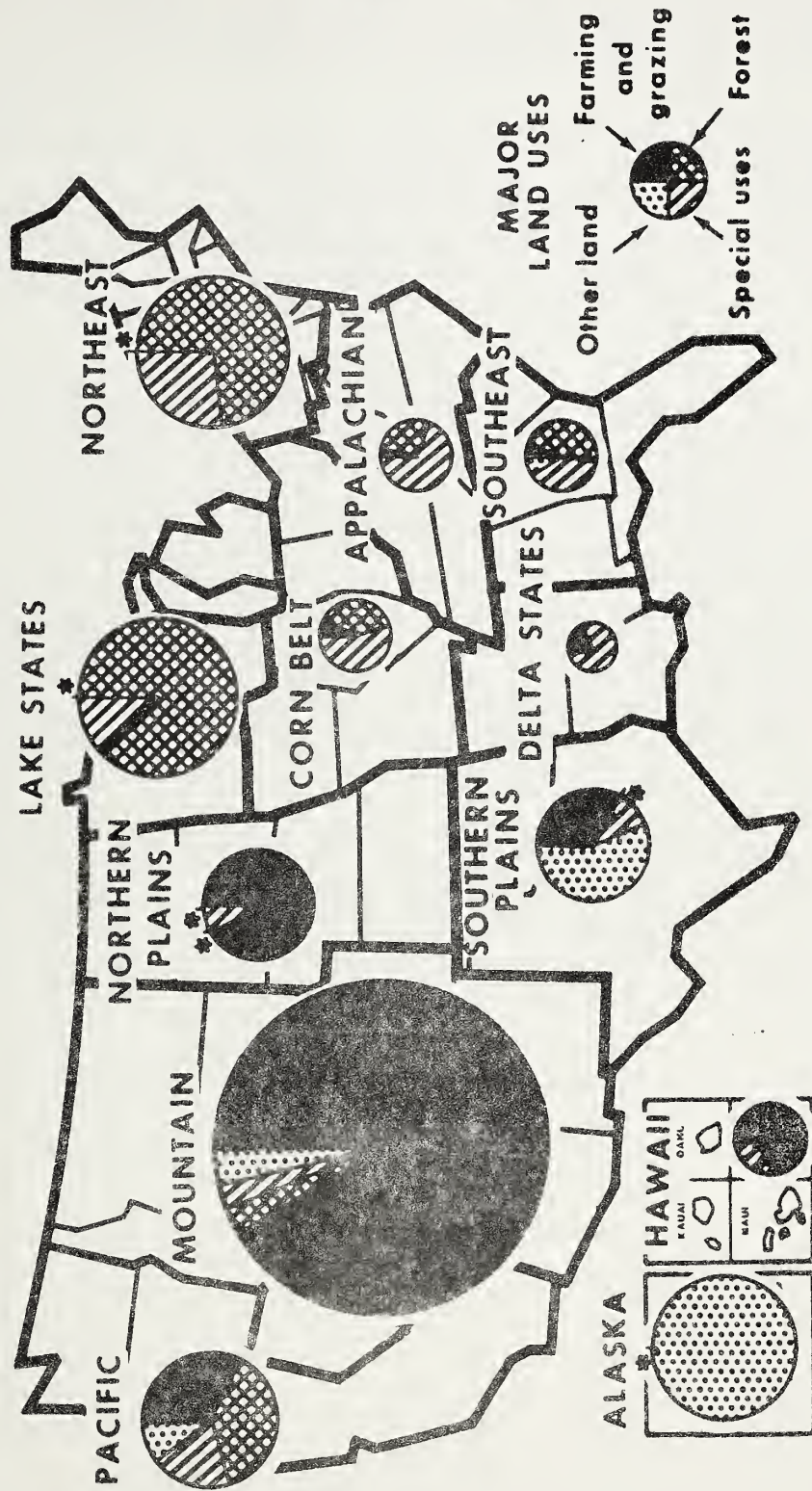


FIG. 5

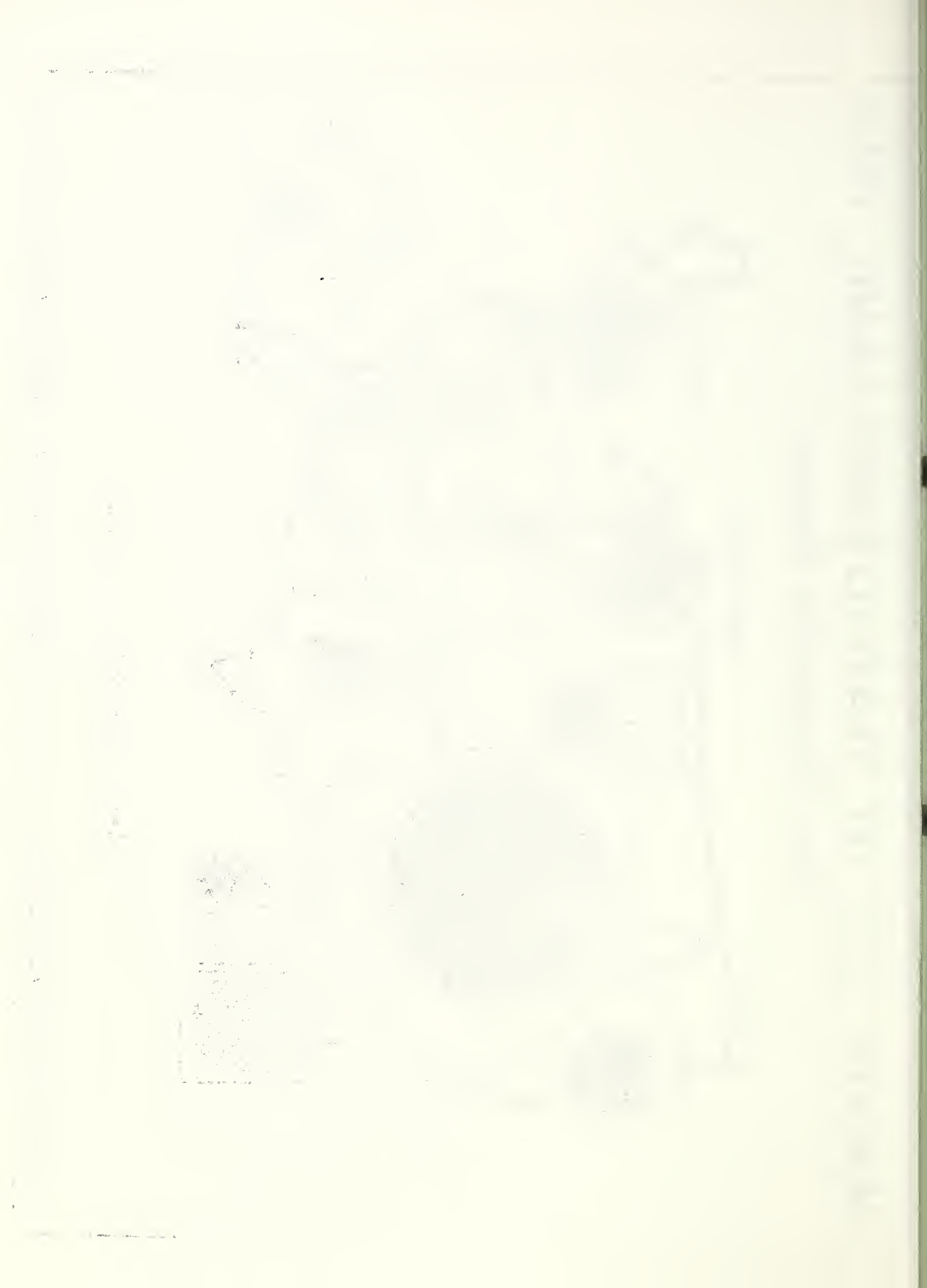


MAJOR USES OF STATE-OWNED LAND, 1962

Farm Production Regions



* ANY PORTION BELOW 2.5% NOT SHOWN.



in land values by 1959. The interaction of output, increasing technology, inelastic demand for farm products, and fixity of land and operator labor contribute to the transfer of returns to land from other factors of production.

Comparisons between changes in land values and changes in the productivity of land in Illinois during the period from 1950 to 1959 indicate that land values have risen approximately 1.5 to 2 times faster than the increase in land productivity. The increase in land values during this period resulted in a decline in the rate of return on current land value from 11 percent in 1949 to 9 percent in 1954 and to 6.5 percent in 1959.

5. Effect of Tobacco Allotments on Distribution of Farm Income: The price support-acreage allotment programs have contributed to a more rapid increase in the income payment received by the land owner rather than in the payment received for other factors of production. Tenure arrangements permitted landowners to capture most of the benefits of the tobacco programs. The annual return to the landlord for an acre of flue-cured tobacco increased from \$29 in 1925 to \$277 in 1960 for the North Carolina Plain, and from \$14 in 1922 to \$212 in 1960 for the Virginia Piedmont. These increases in land rent were primarily the result of increases in tobacco prices and yields as a consequence of price-support and production control programs. The return to labor increased at only one-half the rate of increase in land rent over the comparable time period, and the return to capital increased at an even lesser rate.
6. White and Nonwhite Owners of Rural Land in the Southeast: Of the 1.3 million individuals who in 1960 owned rural land in the States of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia, 160,000, or about 12 percent, were nonwhite. They owned over 8 million acres of land, or about 7 percent of all individually owned rural land in the Southeast. About 70 percent of the nonwhite landowners held land as sole owners as compared to 84 percent of the white. The remaining 30 percent shared their interest in land with other owners, as contrasted to about 16 percent of the white owners who held land in coownership arrangements. Inheritance of a full or part interest in land was a more important method of acquisition among nonwhites than among whites. Nonwhites had a lower rate of turnover in landownership.
7. Special Districts in the United States: The number of active special districts in the United States including natural resource districts more than doubled during the 20-year period from 1942 to 1962. The number increased from 8,299 to 18,323. Soil conservation, health, and water supply districts all increased more than four times. During the same period, the number of natural resource special districts increased from 3,719 to 8,358, more than double. Natural resource districts include drainage, soil conservation, irrigation and water conservation, flood control, water supply, park and recreation, other natural resources, and multifunction districts (fig. 7). While special districts are found in every State, they tend to be concentrated in some States such as Illinois and California, each of which have over 12 percent of the natural

resource districts and over 10 percent of all special districts. Studies of special resource districts show how districts can be organized and operated more effectively and efficiently.

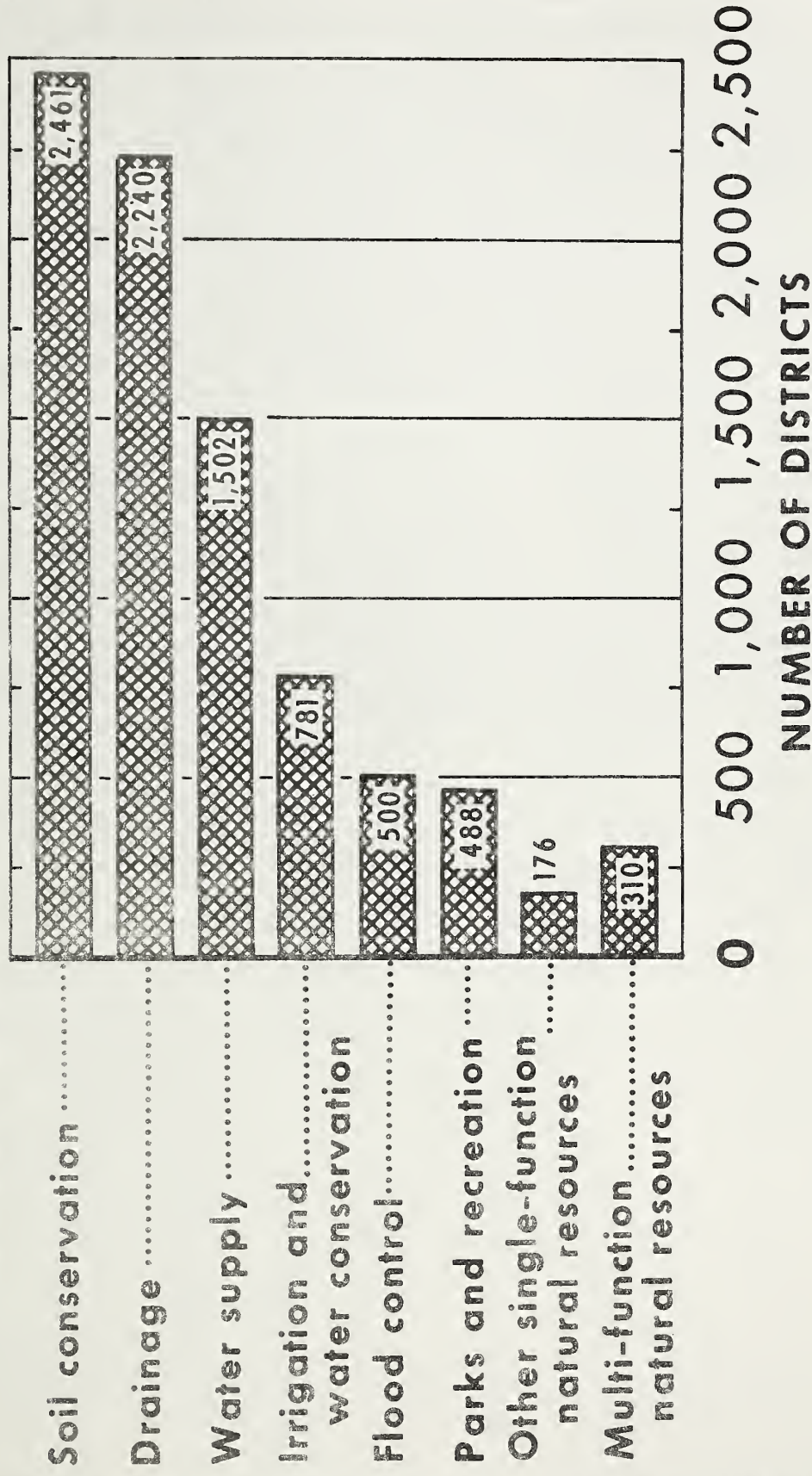
8. Preserving Open Space in Urbanizing Areas: A survey of attitudes of representatives of agriculture and planning agencies in California indicates the limited possibilities under private ownership of maintaining substantial tracts of open space in farming or other extensive uses in metropolitan areas. So far, planning efforts (including "greenbelting," exclusive agricultural zones, changes in assessment practices and tax policies) to save farms and open lands adjoining urbanizing areas have only been able to postpone eventual development. There was little interest in buying development rights or other easements, since partial rights were viewed as costing too much while not providing adequate public control of the land uses.
9. Economic Impacts of ARA Loans and Grants in Rural Areas: During the first operating year of six representative projects in rural areas studied, some 2,170 jobs were created for a total outlay in grants and loans of \$13,951,574 by the Area Redevelopment Administration. This represents one new job for every \$6,432 of such funds provided from ARA and the associated Accelerated Public Works Program. Some 73 percent of these new jobs were in the vicinity of the projects.

Apart from increasing employment, the ARA projects have had other notable effects on these rural areas. For example, in several instances, they have reduced the seasonality of unemployment and of local personal incomes, and upgraded the average skills of the local labor force. They have also demonstrated the need for improved local education and vocational training, particularly training for nonfarm jobs, and stimulated local leadership. They have pointed to the need for coordinated area development, including the establishment and enlargement of complementary industries and supporting public services and facilities, including housing.

10. An Economic Survey of Rural Resources in Appalachia: Agricultural development has not occurred on a wide scale in Appalachia, mainly because of the critical lack of land adapted to mechanized farming. As a result, an appreciable number of the Region's farmers have not been able to compete successfully in the production of most agricultural products. In the 1950 decade, Regional agricultural employment declined approximately 335,000.

Substantial increases in beef cow numbers in the 1950 decade, and corresponding decreases in numbers of other forage-consuming livestock indicate a definite trend toward expanded beef production. Cow-calf production appears to have the best possibilities for Regionwide expansion. A significant shift occurred from grain to forage production in the 1950 decade. Adjustments are taking place that are strengthening the limited commercial farming in the Region. Special programs, however, will be needed to assist low-income farmers, since their ability to make needed adjustments is severely limited.

NUMBER OF NATURAL RESOURCE SPECIAL DISTRICTS, BY CLASS, 1962





11. Employment, Unemployment, and Low Incomes in Appalachia: Variations in unemployment levels and low incomes reflect in part recent differential growth rates among subareas. Even though rates of unemployment and percentages of families with low incomes were highest in the more rural subareas with small-population centers, the greatest numbers of the unemployed and the low-income families were in the large center subareas. Agriculture and mining were the two basic industries contributing most to the decline in employment. Rates of growth in jobs other than agriculture and mining were often higher in small-population center subareas than in large urban subareas. However, absolute increases in the number of these kinds of jobs in small-population center subareas were relatively small. Development programs could be of three kinds: (1) those designed to expand economic activity, (2) those to upgrade welfare transfers, and (3) those designed to increase the employability of surplus labor.
12. Rural Housing in the United States: Of the 17.2 million rural housing units in 1960, some 1.1 million were dilapidated. This 1.1 million included over 260,000 farmhouses and approximately 840,000 nonfarm houses in open country and towns of less than 2,500. Some 7.4 percent of the rural farm housing and some 7.5 percent of the rural nonfarm housing was dilapidated, compared with 3 percent of the housing in central cities and only 1.7 percent of housing in the urban fringe. In the case of rural families with incomes of less than \$2,000, more than half their homes lacked both a flush toilet and piped hot water, compared with less than 1 in 10 of the families in the same income class living in the urban fringe.
13. Relative Economic Status of Rural Areas: The relative economic status of rural areas was determined using five factors: the number of families with incomes of less than \$3,000; the percent of families with incomes of less than \$3,000; the percent of families with dilapidated or deteriorating housing; percent of persons 25 years of age and over with less than 7 years schooling; and the ratio of persons under 20 years of age and 65 years of age and over, to persons 20 to 64 years of age. There is a high correlation between level of income and the ranking of counties based on the composite of the above five economic status related factors (fig. 8). Fifty eight percent of the nonwhite rural population is found in the counties comprising the lowest fifth in economic status. However, 68 percent of the rural population in these same counties is white.
14. Nonfarm Employment Opportunities for Rural People: A study in selected areas of aptitudes of adults 16-30 years of age indicates that they have limited skills but good aptitudes. However, many have not been able to visualize a role in areas where jobs are available. Only thirty-six percent of the adults perceived employment opportunities in other areas, but only 10 percent indicated any plans to move to areas where jobs were available. Little knowledge of job opportunities comes from formal sources. Usually job information came from friends, relatives or random search among employers. The large number of relatives and closely knit social structure of the area tends to keep people in the area.

15. Economic Profiles of a Pacific Northwest Rural Area: A study of the rural areas of Northwest Oregon indicates that only 38 percent of residents in the open country received income from farming. Only 46 percent of farmers depended entirely on farming for a living. Over half of the farms had sales of less than \$5,000. Nearly-two thirds had less than \$2,000 net cash income from farming. Only 42 percent of the farm operators considered their family incomes adequate.
16. Employment Opportunities in the Ozark Area: In 1959 there were 54,000 farms in the Missouri Ozarks. It is estimated that present agricultural lands would support 26,000 farm operators with a net farm income of \$3,000 if equitably divided, if operated with medium efficiency and with current prices. If recent farm enlargement trends continue this adjustment will take about 10 years. Also, in 1960, the tourist industry employed 7,800 persons and the timber industry 14,000 persons largely on a part-time basis. On a full time basis this was the equivalent of 6,300 persons employed in the forest industry and 5,300 in the tourist industry. By 1975 employment in forestry is expected to remain about the same as in 1960, while employment in the tourist industry is expected to double. Wages are expected to increase by 20 percent during the 15 year period.

MARKETING ECONOMICS RESEARCH

Current Activities: The marketing of farm products is the largest sector of the national economy. An outstanding characteristic of the research program is its concern with changes in marketing and their vast implications to producers and consumers.

The objectives of the research program is to find ways to: (1) increase the efficiency of the marketing system, to keep down costs and contribute to economic growth; (2) promote orderly marketing adjustment to changes occurring within and outside of Agriculture; and (3) improve and strengthen markets for farm products in face of a continuing rise in production, higher distribution costs, and competition from nonagricultural products. It is a continuous program of research, both basic and applied, involving studies on market institutions and market power; prices, margins, and costs; location and interregional competition; new products and services; merchandising and promotion; and examination of distribution programs and market outlets.

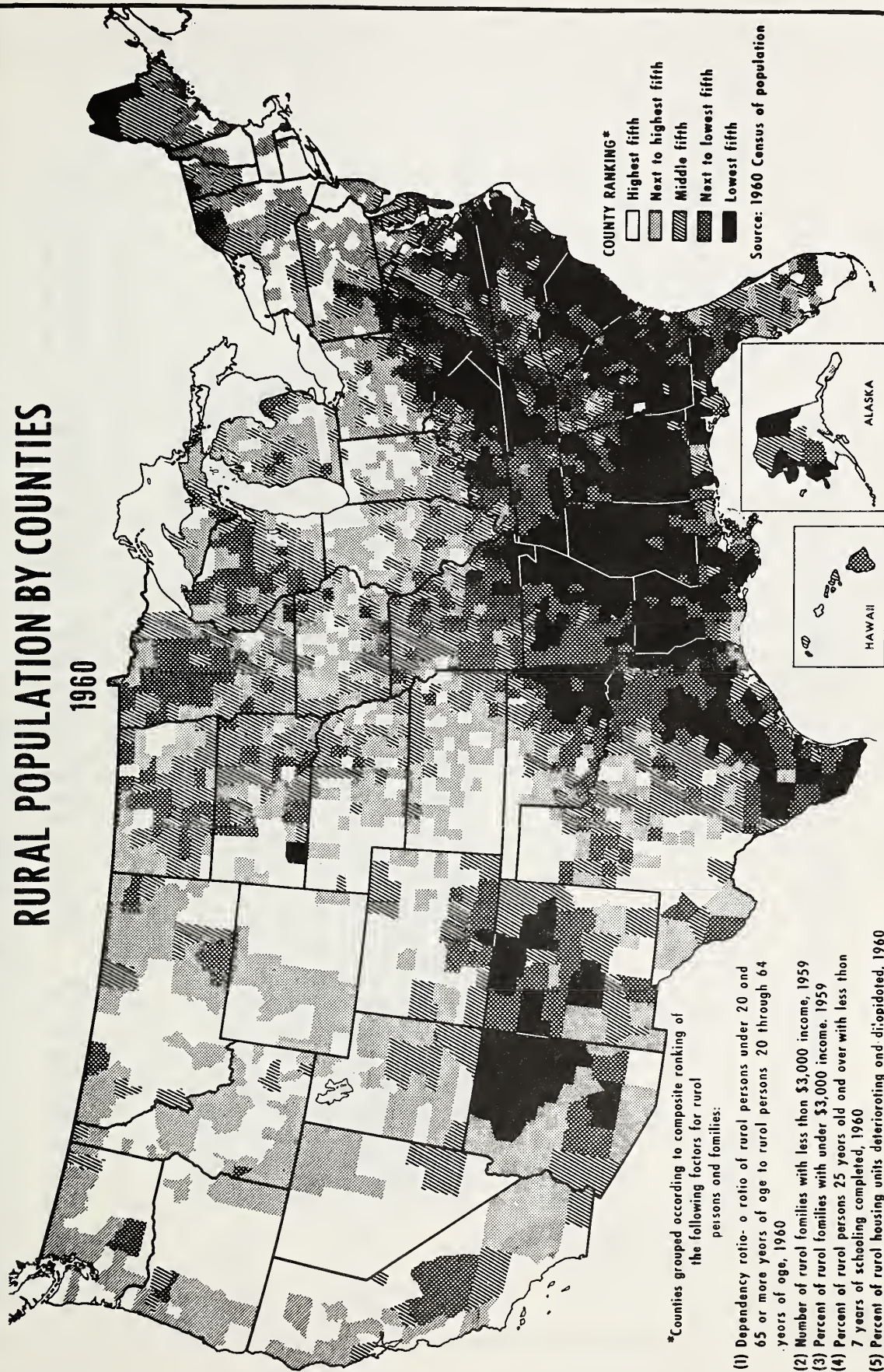
Although the cost of marketing increased, consumers spent only 18.5 percent of their disposable income for food last year, compared with 22.8 percent in 1950. The farmer's share of the retail food dollar remained at 37 cents in 1964, basically unchanged from a year ago.

Selected examples of recent progress:

1. Marketing Spreads and Costs: The spread between retail store costs and farm value for a market basket of farm-originated foods was about one percent lower in the first three quarters of 1965 than a year earlier (fig. 9). Much of this decrease in the marketing spread resulted from narrower spreads for meat products. The spread for meat products in the first three quarters

RELATIVE ECONOMIC STATUS OF THE RURAL POPULATION BY COUNTIES

1960

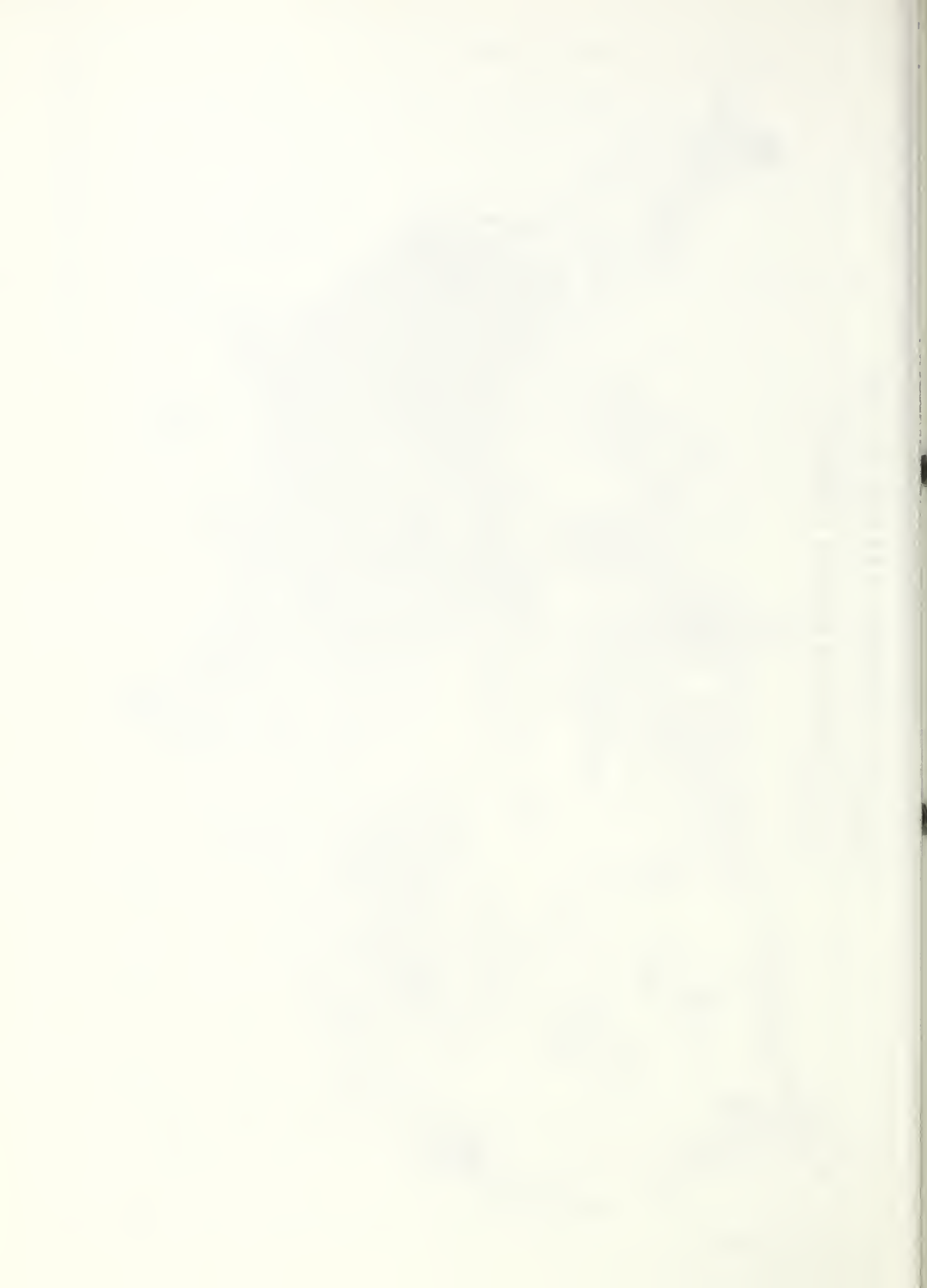


*Counties grouped according to composite ranking of the following factors for rural persons and families:

- (1) Dependency ratio- o ratio of rural persons under 20 and 65 or more years of age to rural persons 20 through 64 years of age, 1960
- (2) Number of rural families with less than \$3,000 income, 1959
- (3) Percent of rural families with under \$3,000 income, 1959
- (4) Percent of rural persons 25 years old and over with less than 7 years of schooling completed, 1960
- (5) Percent of rural housing units deteriorating and dilapidated, 1960

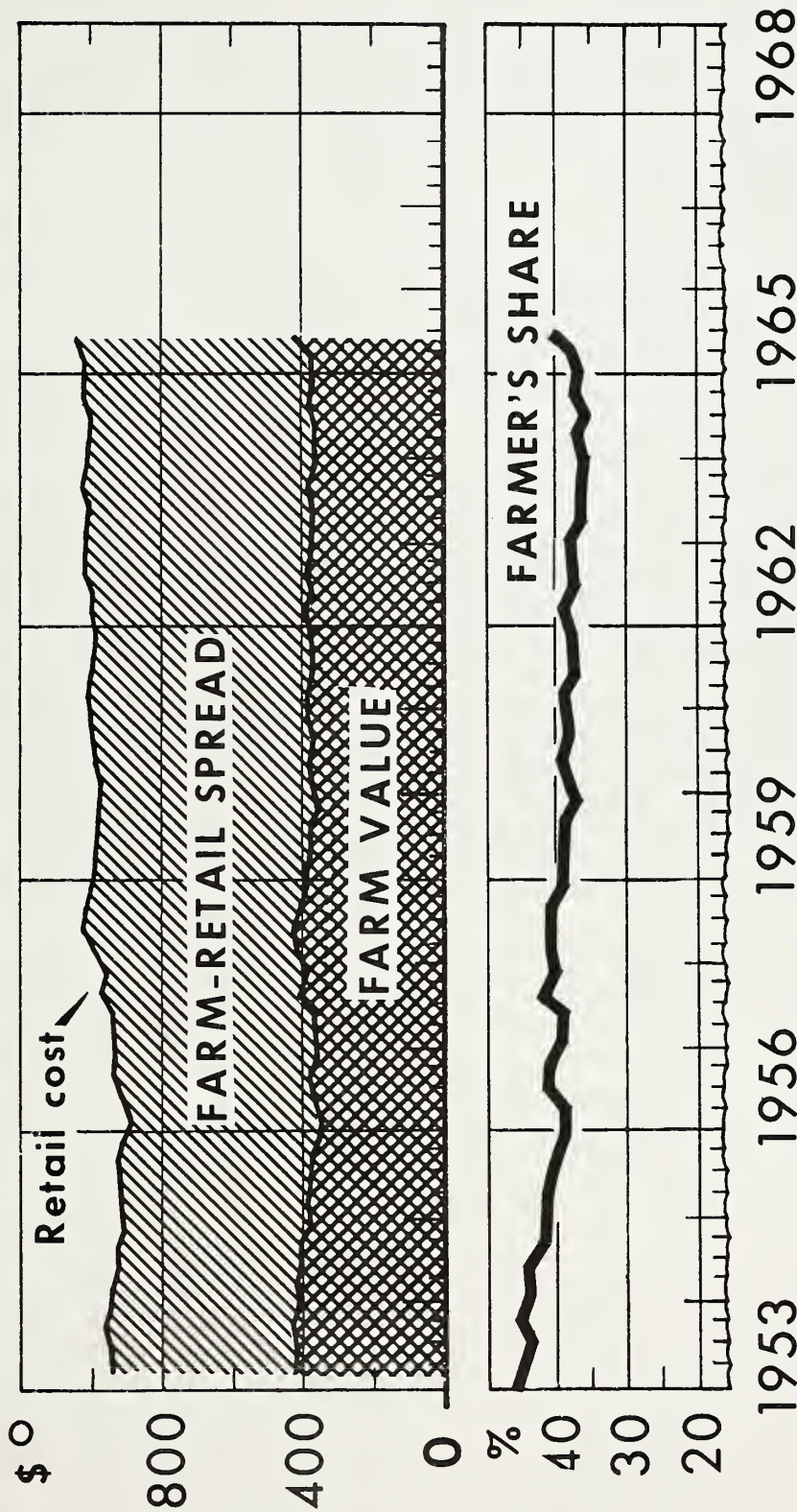
U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 3571-65 (3) ECONOMIC RESEARCH SERVICE



For Market Basket of Farm Foods

SHARES OF RETAIL FOOD COSTS



○ ANNUAL RATE. DATA FOR 1964 AND 1965 PRELIMINARY.
ANNUAL PURCHASES OF FARM FOODS PER HOUSEHOLD IN 1960-61 BY URBAN WAGE-EARNER
AND CLERICAL - WORKER FAMILIES AND SINGLE - WORKERS LIVING ALONE.



averaged 4 percent less than a year earlier. Much or all of the recent decrease in marketing spreads for meat products is likely to be temporary. Short-term decreases in farm-retail spreads for meat products usually accompany rising farm prices for meat animals. After prices of meat animals level off or turn down, farm-retail spreads usually rise. Declines for most other product groups were slight. The spread for fats and oils group increased 3 percent. Studies of price spreads and marketing costs for food, cotton, and tobacco were continued and findings published.

The bill for marketing domestic farm-originated foods bought by U.S. civilian consumers totaled slightly more than \$47 billion in 1964, up more than 4 percent from 1963 (fig. 10). This increase equaled the annual average rise in the preceding 10 years. Total payments to farmers for farm products equivalent to these foods increased about 4 percent from 1963. Civilian consumers spent almost \$70 billion for these foods in 1964, almost \$3 billion more than in the previous year. Increases in consumer expenditures, in the marketing bill, and in returns to farmers resulted mainly from increased marketings. The marketing bill in 1964 was 58 percent larger than in 1954. More than two-fifths of this increase resulted from marketings; rising unit marketing charges accounted for the remainder. Costs of labor employed by food marketing firms during 1964 accounted for 44 percent of the marketing bill and were up 3 percent from 1963. All of this increase resulted from growth in the volume of products handled.

Labor costs per unit of product decreased in both 1964 and 1963, although average hourly earnings of employees rose in both years (fig. 11). Output per man-hour has been increased by improvements in technology, in marketing facilities, and in the skill of management and labor. Profits (before taxes) of corporations marketing farm foods accounted for about 6 percent of the total marketing bill in 1964. This component increased 12 percent from 1963 and 1964, the largest increase since 1955.

2. Factors Associated with Success of New Food Products: Factors associated with demand for new products were measured and an equation based on these relationships developed by which estimated values of sales levels were compared to actual levels.

About 84 percent of the variation in sales of 110 convenience foods was explained jointly by the following factors: Cost, degree of competition, importance of product group in consumer purchase patterns, availability, success of similar items, and special variables for product groups.

Much investment is expended to develop new products. Many of these fail thus adding to marketing costs. This report delineates for the first time the importance of various factors on demand for new products. Its use could help reduce product failures by providing guides in the developmental stages of which factors to consider in making marketing decisions.

3. Competition in food processing: Packers and processors of all kinds of foods today find themselves in a market sharply different from that of 20 or 30 years ago. Retailers and groups of retailers have developed and established their own specifications and brands until retailer brands rather

than packer or processor brands are seen on most of the meat, milk, cheese, and ice cream sold in retail stores. Generally speaking, retailers price their own brands below those of packers or processors.

Associated with the change in the competitive position of the retailer and the packer-processor has come a general lessening of concentration in meat and dairy processing--as measured by the market share of the 4 largest companies. The proportion of the federally-inspected livestock slaughter accounted for by the 4 largest firms declined from 51 percent in 1950 to 35 percent in 1962. During this period concentration increased fairly rapidly in small fluid milk markets, changed very little in middle-sized markets and declined slightly in the largest markets. The number of fluid milk plants continued its decline, while numbers of both livestock and poultry processing plants increased slightly.

With the exception of the poultry and egg industries, the changes observed in market structure have included no significant trends toward integration. For turkeys, however, about 25 percent of total production occurs under risk-sharing contracts, primarily with feed firms, while firms producing turkeys on company-owned or leased farms accounted for about 10 to 15 percent of total output.

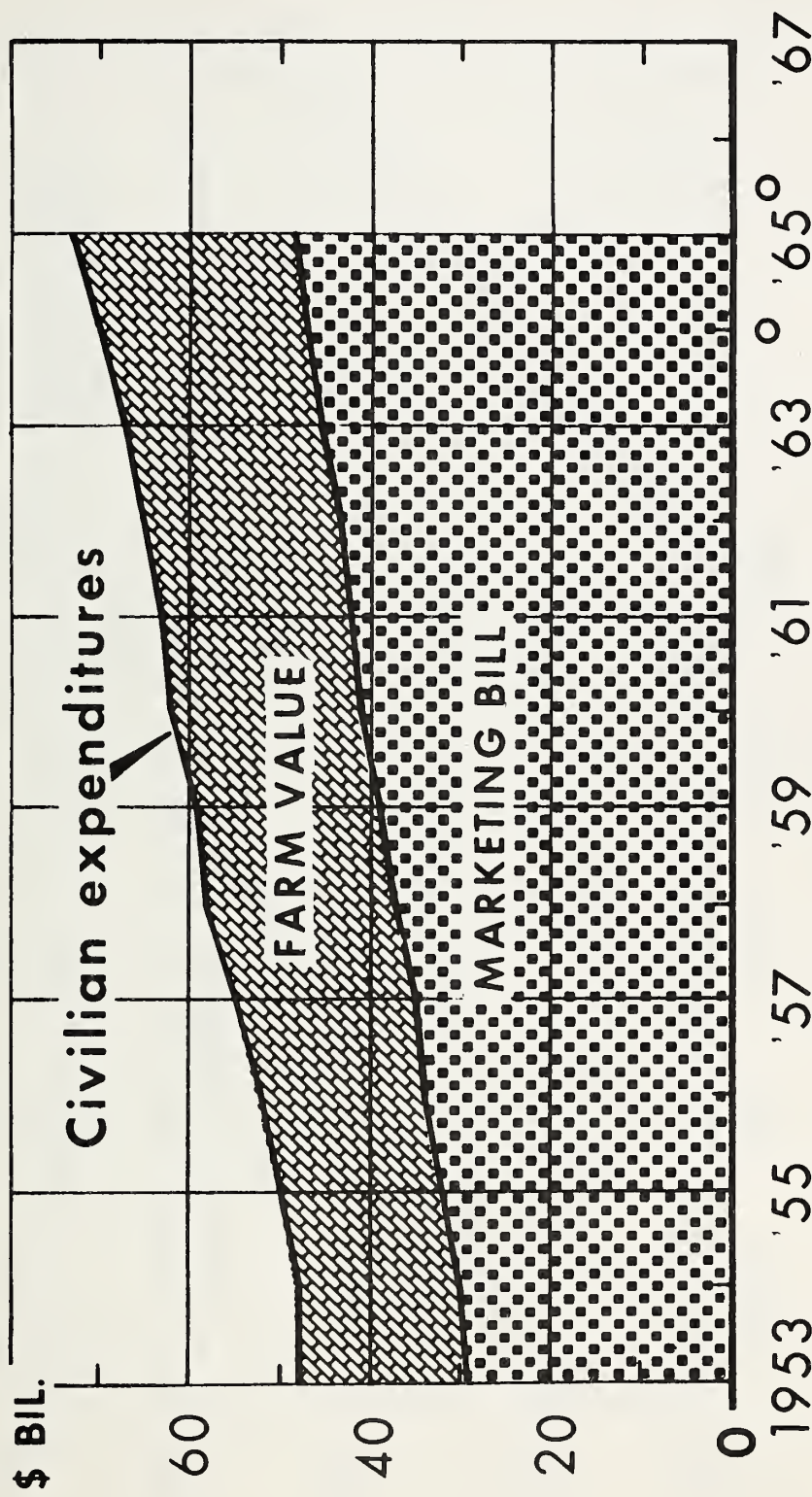
4. Bread and Wheat Price Trends: Retail bread prices and farmers' wheat prices have shown markedly different trends since World War II. In nearly every year the average price of bread has increased. In more than half of the years, the farmer's price for wheat has declined. Consumers paid an average of 20.7 cents for a 1-pound loaf of white bread in 1964. This was 8 cents more than the 1947-49 average--a 63 percent increase (fig. 12). At the same time, the farm value of the wheat in the loaf dropped from 2.7 cents to 2.5 cents. Farm value of all ingredients in the loaf declined from 3.3 cents to 3.2 cents.

The retail price in the first three quarters of 1965 fluctuated from 20.8 to 21.0 cents per pound. In the third quarter it averaged 20.8 cents--0.1 cent more than a year earlier. The farm value of wheat in the loaf was 2.7 cents, the same as in the third quarter of 1964.

The farm value of wheat in the last half of 1964 and the first half of 1965 was based on the average market price per bushel received by farmers, plus 70 cents. The additional 70 cents was the per-bushel value of the domestic marketing certificate received by farmers complying fully with the Federal Wheat Program. This payment was increased to 75 cents in July 1965.

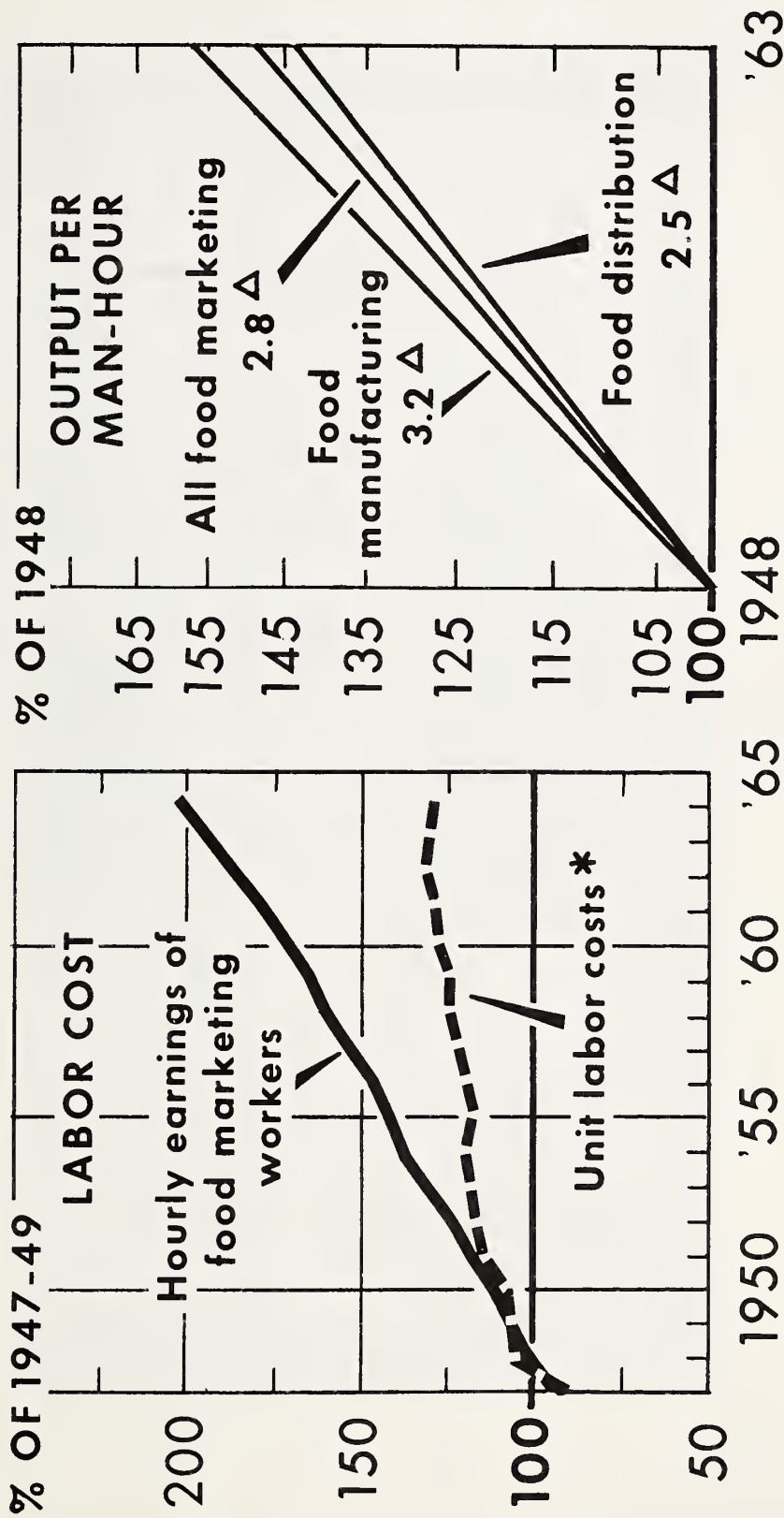
5. Marketing Horticultural Products: There are approximately 22 thousand retail florists in the U.S. These outlets provide a market for floricultural crops having a farm value of approximately \$300 million annually. Retail sales of florists exceed a billion dollars annually, but only one out of three florists have annual sales of \$50 thousand and over. Sales of fresh flowers represent two-thirds of total sales and are used mostly for funerals, memorial, and illness, generally referred to as "necessity sales" dictated by custom. Florists spend about 2 percent of their gross

FARM VALUE AND TOTAL MARKETING BILL FOR FARM FOODS



DOMESTIC FARM FOODS BOUGHT BY CIVILIANS IN THE UNITED STATES. ○ PRELIMINARY.

LABOR COSTS AND OUTPUT PER MAN-HOUR IN FOOD MARKETING

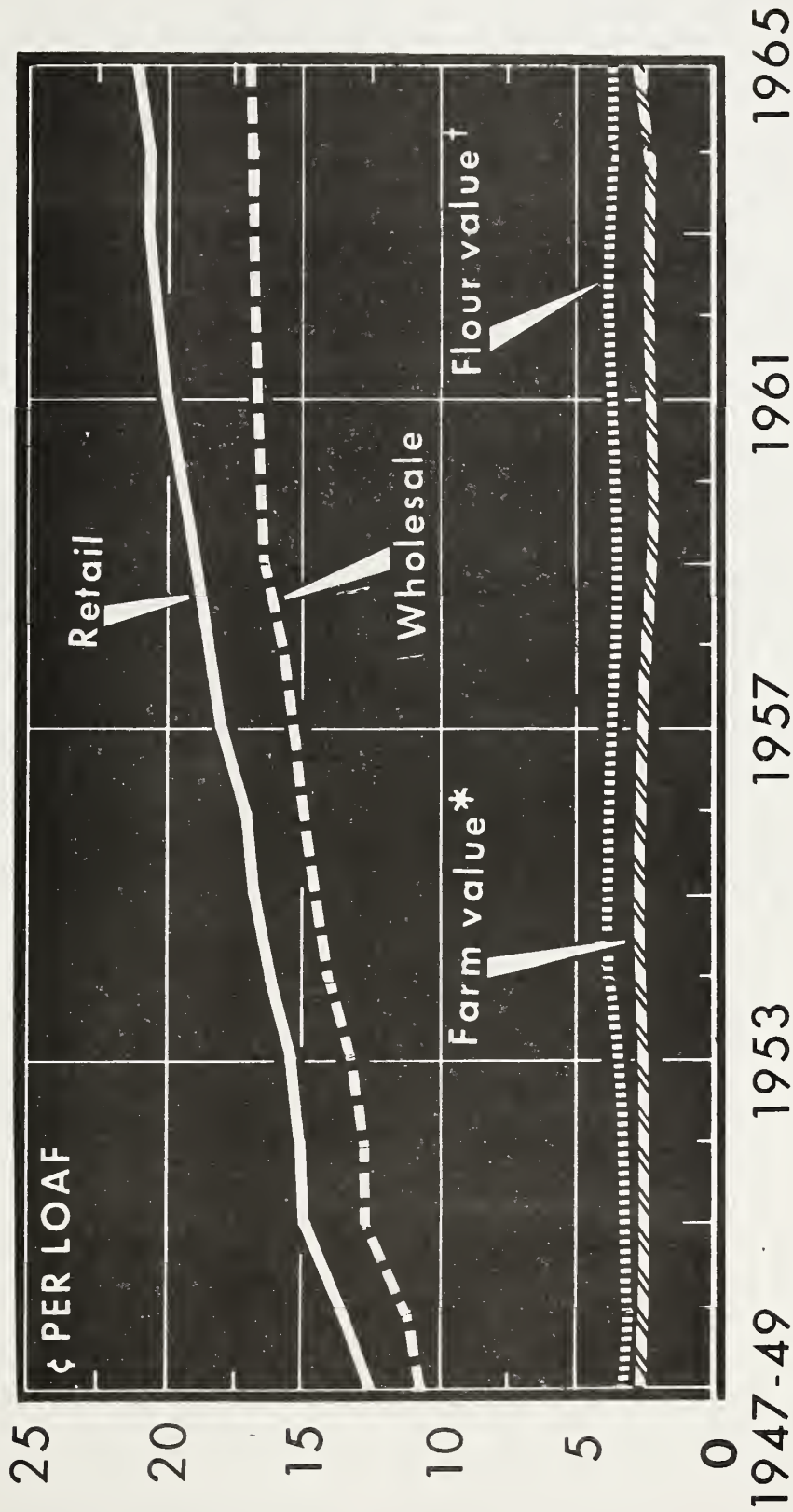


DOMESTIC FARM-ORIGINATED FOOD PRODUCTS.
* LABOR COSTS PER UNIT OF FOOD MARKETING.

Δ AVERAGE ANNUAL RATE OF GROWTH.

WHITE BREAD PRICES

U. S. Average



† MILL SALES VALUE. * WHEAT CONTENT. 1965 DATA FOR FIRST 6 MONTHS.

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FIG. 12

sales on advertising, concentrating their promotion around holidays and special occasions. Florists consider sales of floral products through mass market outlets as detrimental to sales in their own shop. Florists grow only a small portion of the fresh flowers and plants they sell.

6. Measurement of Sales Response of Fluid Milk to Varying Levels of Promotional Investments: A study to ascertain sales response of fluid milk to varying levels of promotional inputs was conducted over a 2-year period in six markets in cooperation with the American Dairy Association. The cost of all promotional activities was financed by the Association as well as part of the cost of data collection. The levels of promotional investments were: (a) the Association's regular level of about 2 cents per capita on an annual basis; (b) the regular investment plus 15 cents per capita on an annual basis; and (c) the regular investment plus 30 cents per capita on an annual basis.

Results of the study showed a significant increase in sales volume of fluid milk attributable to additional promotional investments. The total increase in average daily sales for the added promotional investment over normal expenditure levels were 13,000 pounds at the 15-cent level, and 17,000 pounds at the 30-cent level. When the volume increase in sales is translated into net dollar returns, the medium level of investment returned 67.8 percent and the high level 19.4 percent (table 1).

Table 1. --Cost and returns of promotion for fluid milk in 6 markets, March 1963-February 1965

Level of promotion	Cost of promotion	Revenue	Returns on investment	
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>	<u>Pct.</u>
Medium (B)	237,530	398,580	161,050	67.8
Heavy (C)	436,363	521,220	84,907	19.4

7. Significant Shifts in Transportation: Due partly to more intense competition among rail, highway, and waterway carriers and partly to the use of more efficient transportation equipment, freight rates for moving grain as well as many other farm products have been declining notably since 1958 (fig. 13). Two studies finished this year--one for the Northwest and one for the North Central States--show the decrease in rates as well as significant shifts by shippers from the use of rail service to trucks and barge service, or a combination of truck and barge service for moving grain.

DOMESTIC AND FOREIGN ECONOMIC ANALYSIS

Current Activities: This project consists of three major activities:

- I. Domestic Economic and Statistical Analysis covers the gathering, analysis

and interpretation of information on American agriculture as a whole, and for specific items, including many statistical series relating to farm income, prices, population and labor, and agricultural situation reports for important crop and livestock products. The major objective of the work is to keep farmers and others concerned with agriculture fully informed on both the present and prospective agricultural situation through regular reports and special analyses for specified commodities and geographic areas.

II. Foreign Development and Trade Analysis Research is concerned with the appraisal of foreign market programs, the effect of foreign economic development on agriculture, and trade statistics and analysis. The research emphasizes the appraisal and evaluation of the economic implications of policies and programs of the United States and other countries on our foreign trade in farm products and the efficient use of our excess food production and other resources in economic development abroad. The information thus gained will be employed in improved formulation of national policies, positions, and programs in the area of foreign agricultural marketing, foreign economic development, and foreign agricultural trade.

III. Foreign Regional Analysis is concerned with research on food and agriculture in more than 100 foreign countries in the Western Hemisphere, Europe, including the Soviet Union, Asia, Africa, and Oceania. For each country, the research is centered on the economic analysis and interpretation of conditions, forces and developments affecting supply, demand and trade in farm products. Particular emphasis is given to the analysis of the demand for and competition with current and prospective U. S. agricultural exports.

A. Domestic Economic and Statistical Analysis:

1. Current situation and outlook reports issued throughout the year:

- a. Farm Income: Realized net income of the Nation's farmers is estimated at over \$14.0 billion for 1965. This is more than \$1 billion higher than in 1964 and the highest since 1952. Both cash receipts from farm marketings and payments to farmers are higher than a year earlier (fig. 14).

Production expenses are also higher but not as much as gross income.

With the increase in realized net income and the continuing decline in number of farms, realized net income will average more than \$4,100 per farm, 10 percent higher than in 1964.

- b. Food Consumption: Per capita food consumption was down slightly in 1965 due to less meat, mainly pork; and, during the first half of the year, reduced supplies of potatoes.

Consumer demand continued strong, and the smaller supplies of these commodities moved at higher prices. Costs of marketing also increased. Retail food prices rose about 3 percent over 1964, following an average annual increase of about one percent in the previous 5 years. Though larger in total dollars, food expenditures as a percent of



Transportation Changes

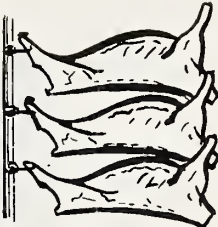
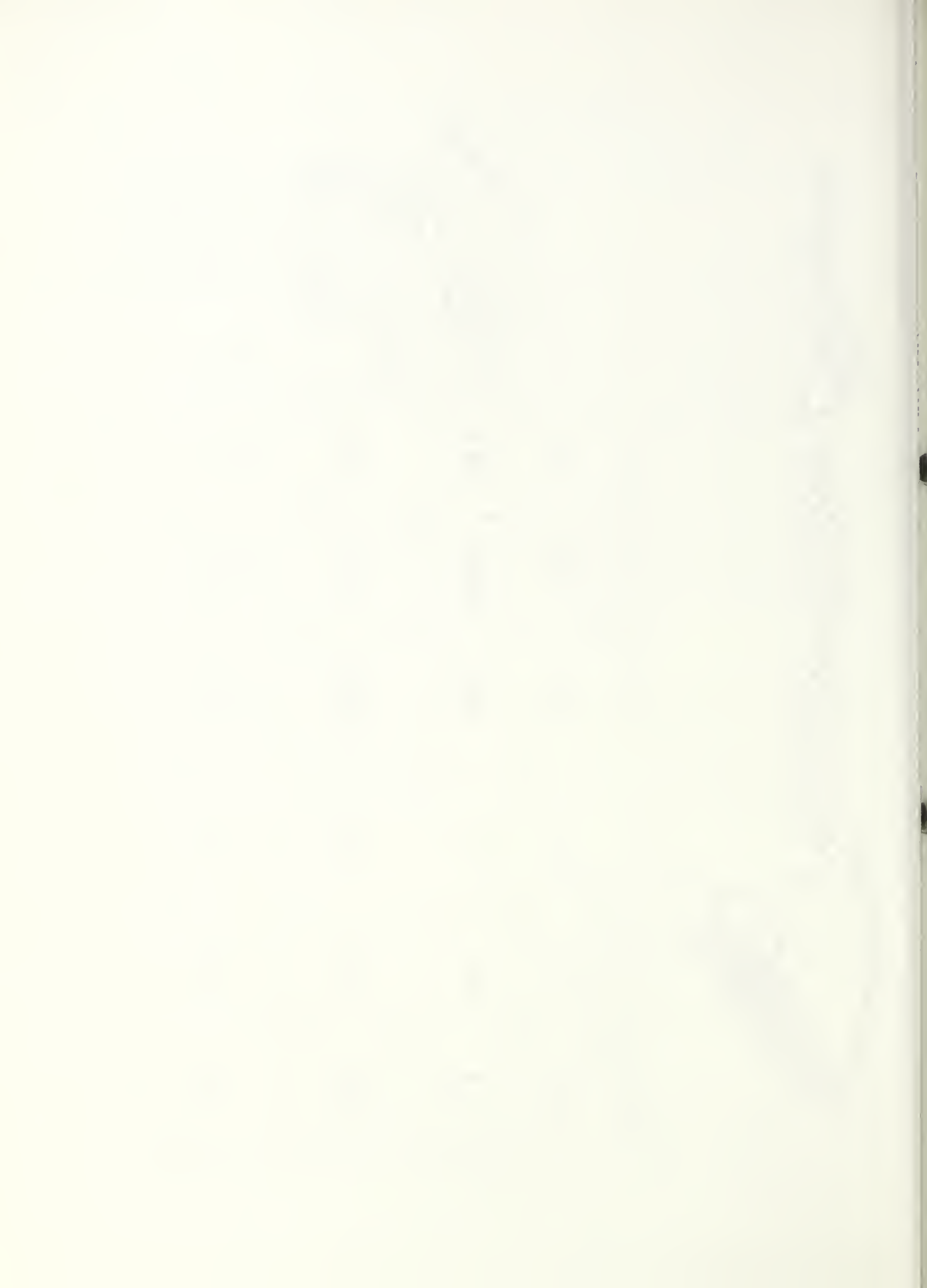
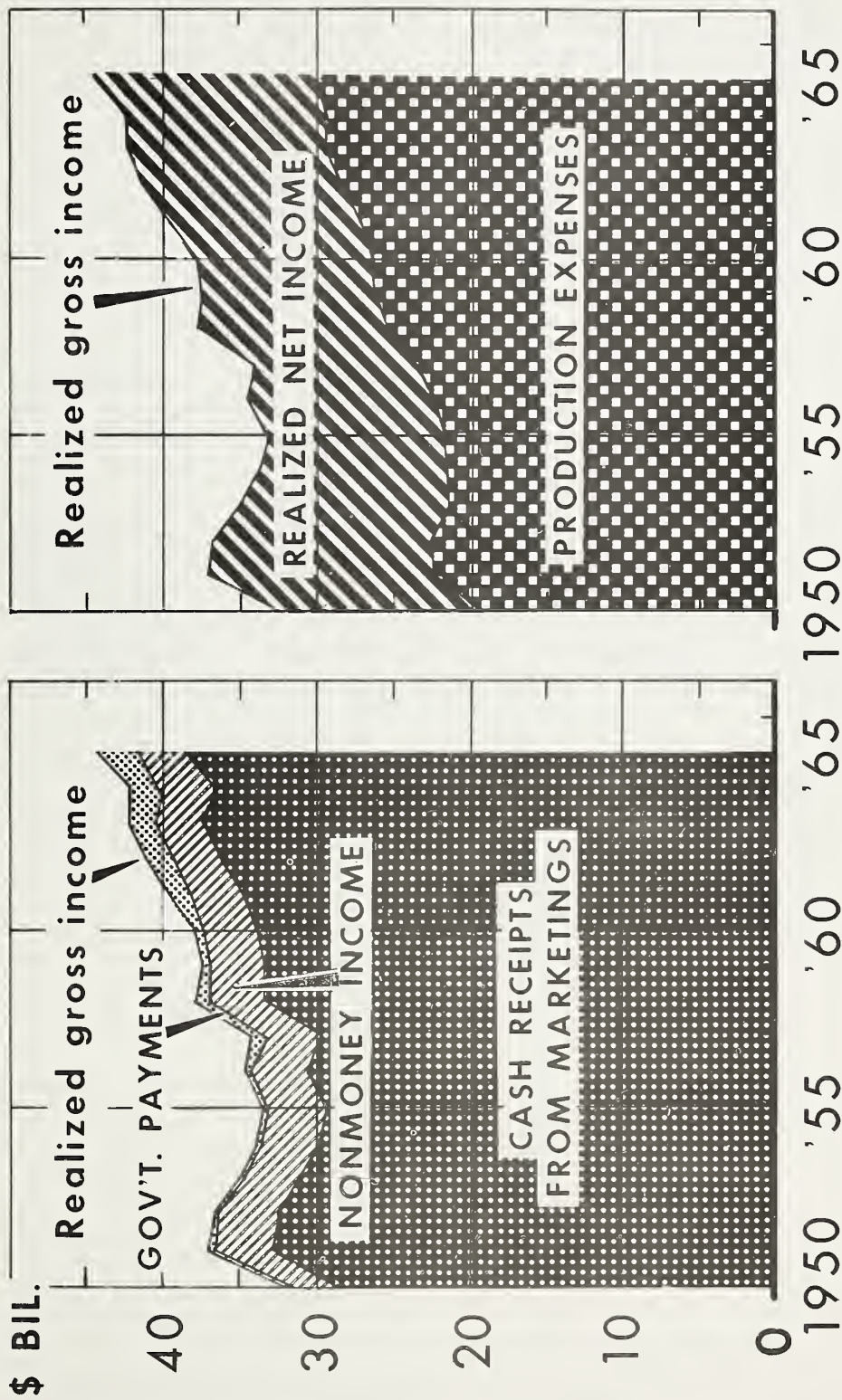
RAIL FREIGHT CHARGE AS A % OF WHOLESALE PRICE				RAIL FREIGHT RATE INDEXES 1957 - 59=100			
1956	1959	1963		1957	1959	1963	
8.2	10.1	9.1	WHEAT	99.0	100.0	96.0	
20.9	27.5	27.0	FRESH POTATOES	104.8	94.3	91.9	
4.5	3.9	3.5	FRESH MEAT	111.0	89.0	87.0	

FIG. 13

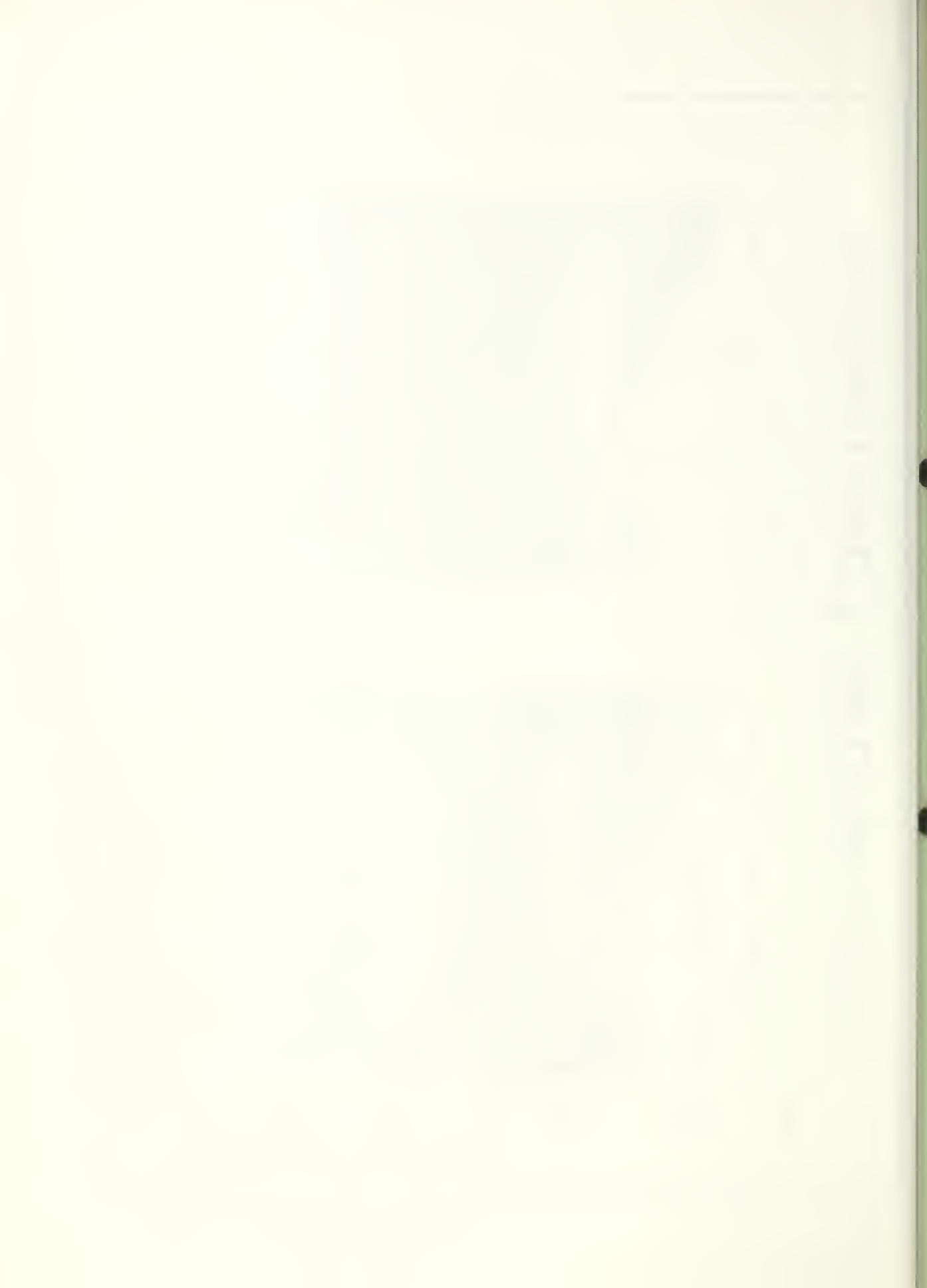


FARM INCOME COMPONENTS



1965 PRELIMINARY.

FIG. 14



consumer disposable income were fractionally under the 18.5 percent for 1964, and well under the 23.5 percent in 1951 (fig. 15).

- c. Wheat: Total disappearance of wheat exceeded production in 1964-65 for the fourth consecutive year. During these years, carryover stocks declined substantially and by July 1, 1965, totaled 818 million bushels, the lowest level since 1953. Under the new voluntary wheat program domestic disappearance increased sharply in 1964-65. More wheat was fed as prices were competitive with feed grains. Exports contributed the most to the heavy disappearance the last 4 years. Last year they reached 728 million bushels, the second highest of record. In 1965-66, total disappearance is again likely to exceed production, as exports are expected to be above the high level of last season and there may be a further increase in feeding (fig. 16).
- d. Feed Grains: Stocks of feed grains declined from a record high of about 85 million tons in 1961 to about 55 million tons in 1965. Influenced by the feed grain program, acreage planted to feed grains during 1961-65 has been around 25 to 30 million acres below the 1959-60 level--just prior to the current program. Although yields have continued to rise, production has been generally below total domestic use and exports. However, because of sharply higher yields, production of feed grains in 1965 is expected to be slightly above total requirements for the season. Feed grain prices have been advancing from the postwar low reached in 1960-61. Prices received by farmers in the 1964-65 marketing year averaged about 6 percent higher than a year earlier (fig. 17).
- e. Fats and Oils: For the 1965-66 marketing year, total supplies of edible fats, oils, and oilseeds are placed at 17.2 billion pounds (oil equivalent), about 4 percent above 1964-65 (fig. 18). Both domestic use and exports are expected to increase, but carryover stocks in 1966 likely will be larger than in the previous year. The total U. S. supply of soybeans during the marketing year beginning September 1, 1965, is placed at 874 million bushels, 14 percent above last season. Soybean utilization is expected to increase again, perhaps a tenth above the 691 million bushels, crush and export, obtained in 1964-65.
- f. Cotton: The carryover of all kinds of cotton in the United States on August 1, 1965, was around 14.3 million bales, nearly 2 million bales more than on August 1, 1964, and almost equal to the alltime record in 1956 of 14.5 million. Mill consumption rose sharply during 1964-65 in response to more competitive market prices following enactment of new legislation in 1964. Exports, however, fell sharply because of increased competition in world markets and a working down of stocks in foreign free-world countries. At the same time, a large U. S. 1964 crop resulted from record-high yields. For the current crop year, mill consumption is expected to increase slightly from a year earlier, while exports may be down slightly. Another large crop is in prospect for 1965, reflecting record-high yields, and cotton stocks in the United States may increase

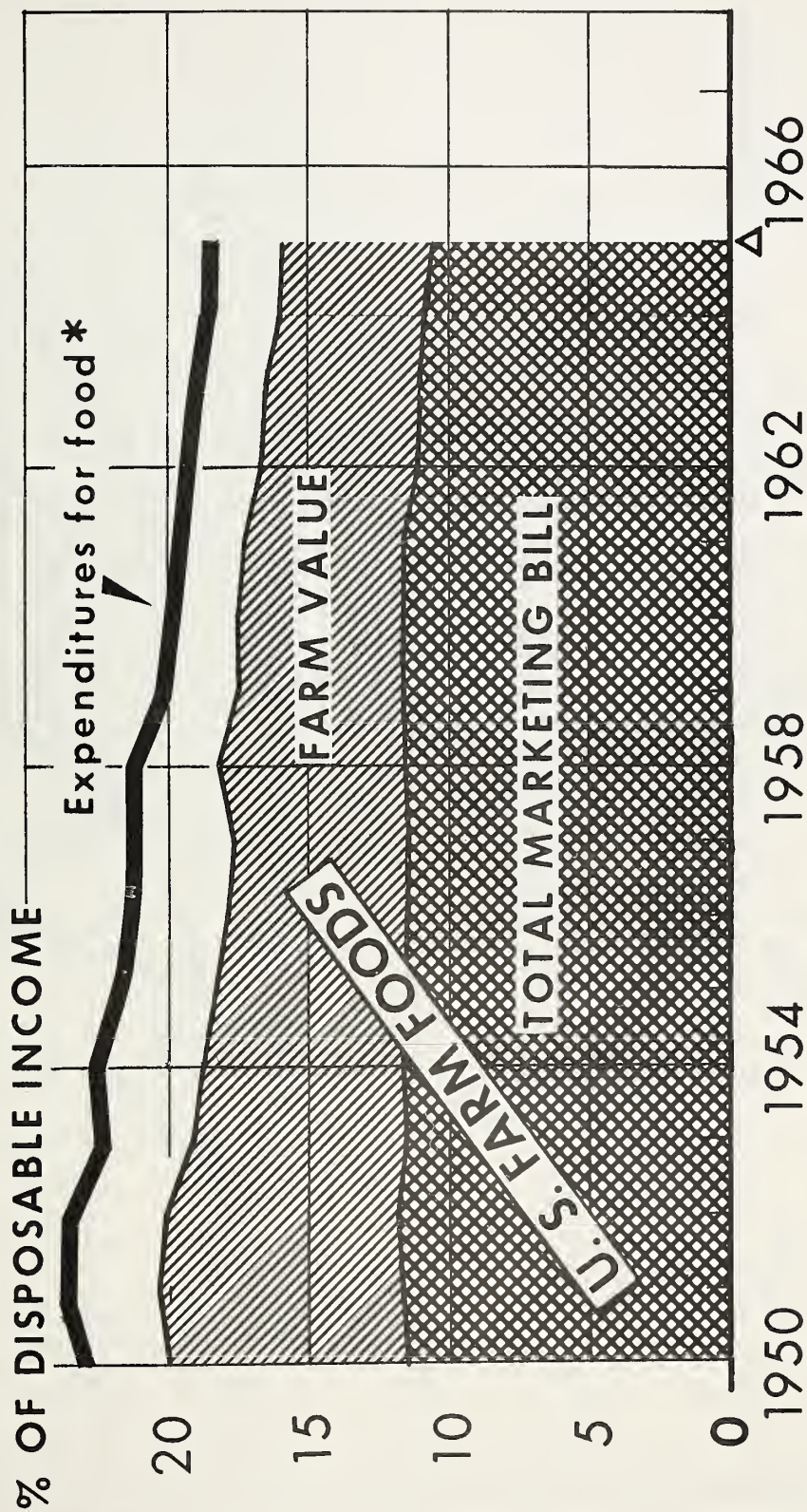
nearly 2 million bales during the crop year (fig. 19).

- g. Tobacco: The new acreage-poundage program for flue-cured tobacco--leading cigarette and export tobacco--has completed its first season (1965) with considerable success. A significant start was made in reducing excessively large supplies, the quality of market offerings improved substantially, and growers' prices averaged about a tenth higher than in 1964. The flue-cured supply for 1965-66 is down 4 percent, with a substantial cut in 1965 marketings more than offsetting the rise in carryover which had reached a high in mid-1965. Carryover by mid-1966 will show a sizable decline. The 1965-66 supply of burley--second ranking tobacco in volume--is only slightly below the 1964-65 record. Carryover edged upward to a new high and the 1965 crop was only a little below 1964 despite a 9 1/2 percent reduction in harvested acreage, because of a near-record average yield per acre (figs. 20 and 21).
- h. Feed Cattle: Total red meat supplies were large in 1963 and 1964 and prices were relatively low. Beef production reached new record highs and in May 1964 fed cattle prices were at an 8-year low. Red meat supplies in 1965 are somewhat smaller than a year ago, because of less pork, mutton and lamb. Prices to both producers and consumers are substantially higher. Beef production is up slightly. But stronger demand together with smaller overall supplies of red meat resulted in higher prices. Choice steers at Chicago averaged about \$3.00 per hundredweight above 1964. Largely because of reduced supplies, hog prices at 8 major markets averaged over \$6 per hundredweight above a year earlier.

2. Several Special Studies were conducted during the year in areas of national interest:

- a. A special study was made during the year to determine the position that beef inventory numbers currently occupy in the cattle cycle. The beef cattle inventory on farms January 1 was divided into 4 classes, and relationships were constructed between cattle numbers and past prices to form a basis for estimating numbers in each of the classes from 6 months to more than a year in advance. It was found that a one-dollar increase in feeder calf prices tended to result in an increase in beef cow numbers of about 80 thousand head within the year, and an additional 150 thousand head within 2 years. A one unit increase in the steer-corn price ratio was associated with an increase in beef heifer and steer numbers of 125 thousand head within the year, and an additional 150 thousand head within 2 years.
- b. Estimates of income of farm operators' families by value of sale classes for the years 1959-1964 were developed and published in the Farm Income Situation. These estimates reveal many aspects of the farm income situation that are not readily apparent from the aggregates and averages for all farms combined. They show that the relatively few farms in the higher value of sale classes account for

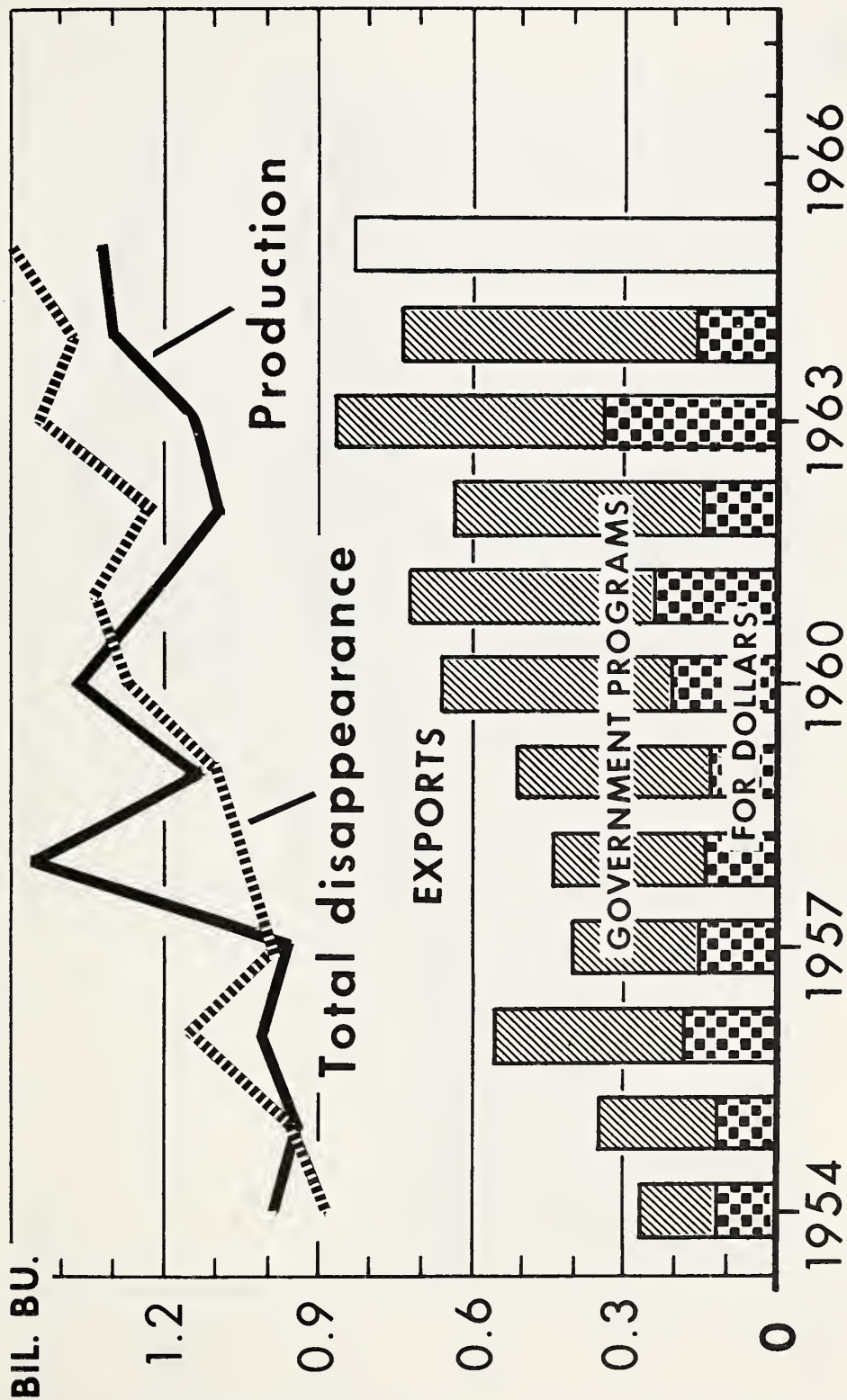
FOOD EXPENDITURES RELATIVE TO INCOME



*PERSONAL CONSUMPTION EXPENDITURES FOR FOOD, LESS ALCOHOLIC BEVERAGES (INCLUDES IMPORTED FOODS, SEAFOODS, HOME-PRODUCED FOOD, AND FOOD FURNISHED TO MILITARY FORCES). ▲PRELIMINARY ESTIMATES.



WHEAT DISAPPEARANCE



YEAR BEGINNING JULY 1.

1964 FIGURES ARE PRELIMINARY.

1965 FIGURES BASED ON DECEMBER ESTIMATES.

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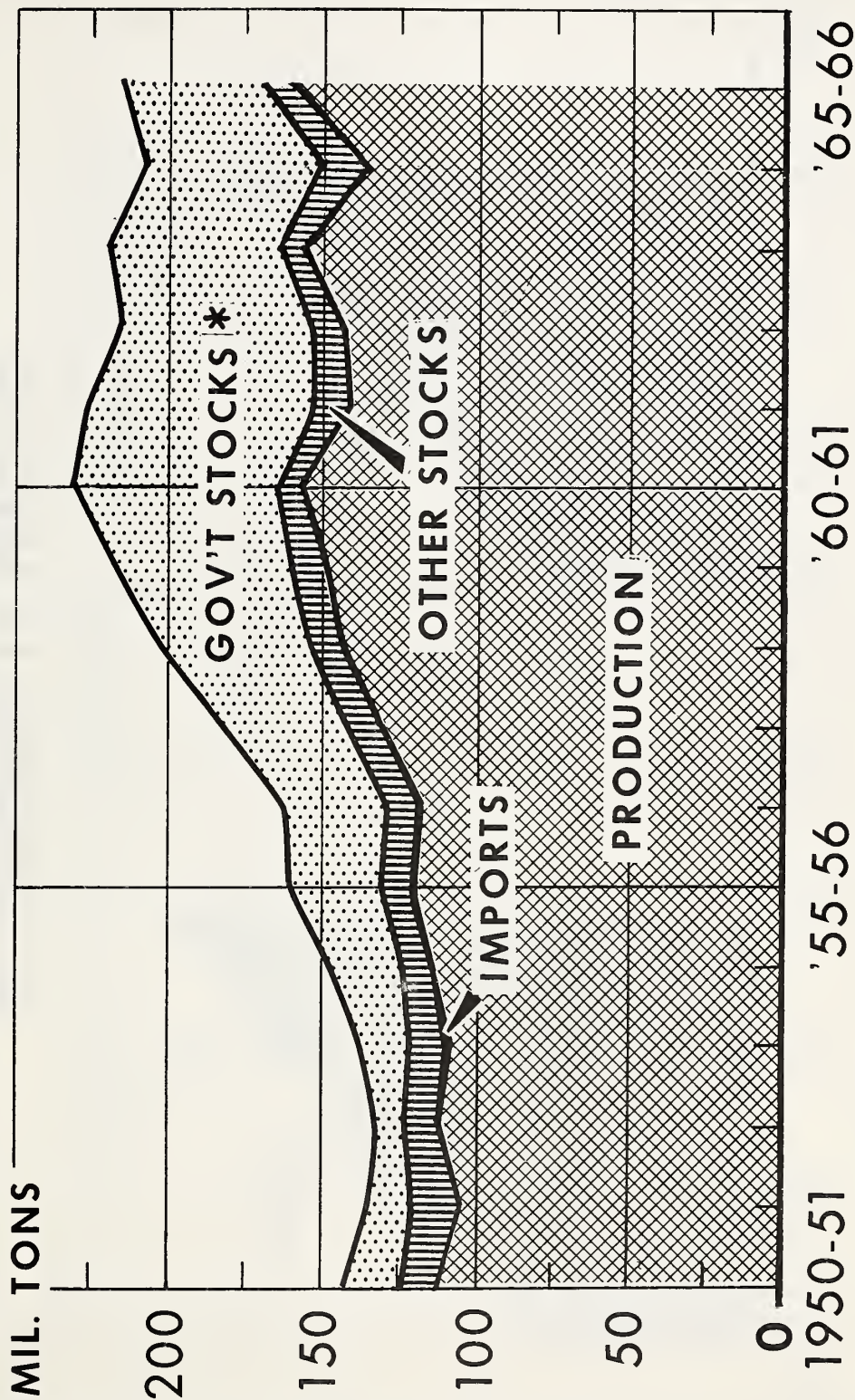
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FIG. 16

RECEIVED

1911

FEED GRAIN SUPPLY



* UNDER LOAN OR OWNED BY COMMODITY CREDIT CORPORATION. 1965-66 BASED ON OCTOBER 1965 INDICATIONS.

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NEG. ERS 3018-65 (10) ECONOMIC RESEARCH SERVICE

THE HISTORY OF THE

OF THE

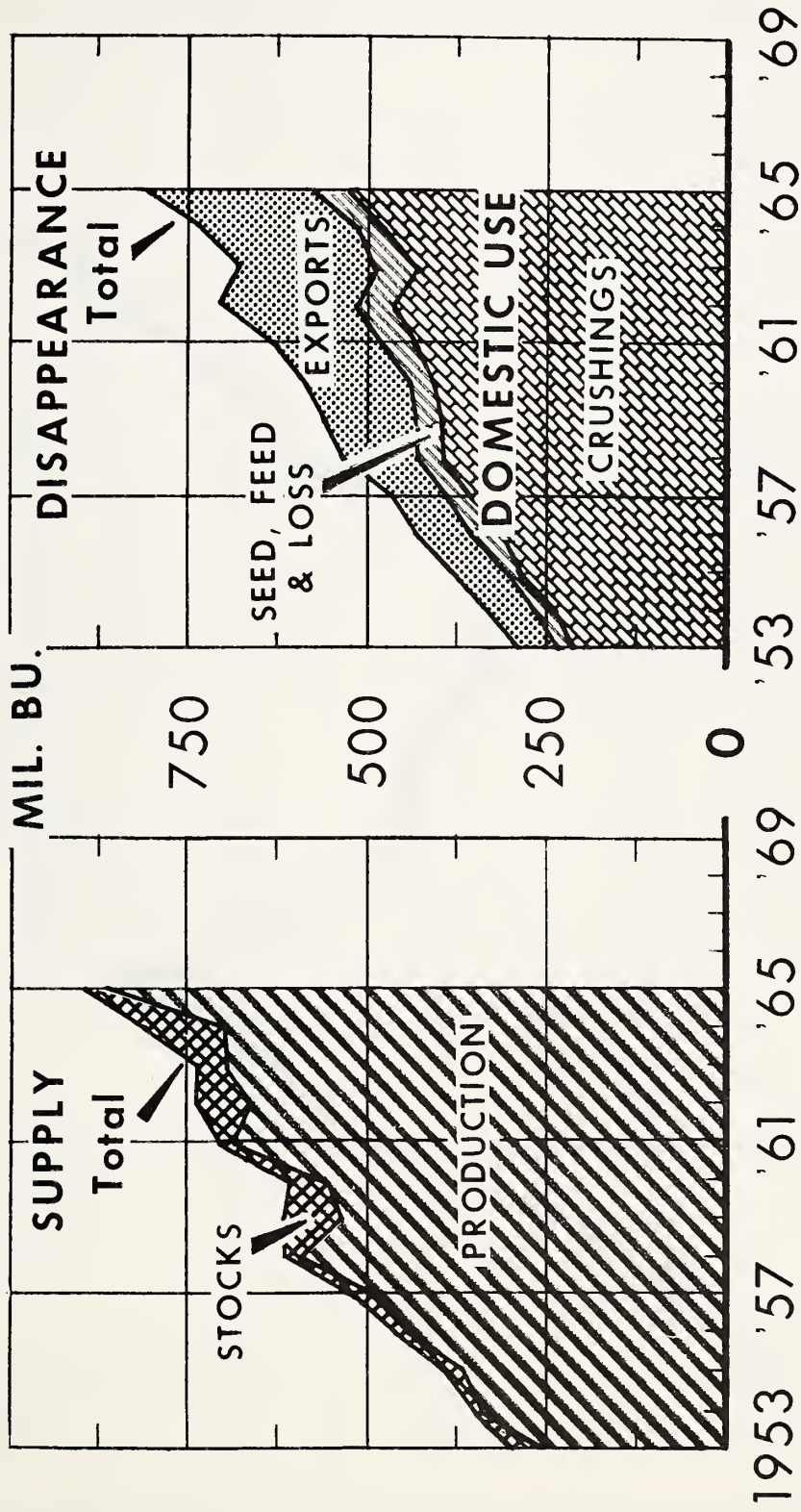
OF THE

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OF THE

Uptrend in Soybean Production and Usage to Continue in 1965-66



YEAR BEGINNING SEPTEMBER.
1965 PRODUCTION INDICATED OCTOBER 1, STOCKS AND DISAPPEARANCE FORECAST.

April 30, 1911

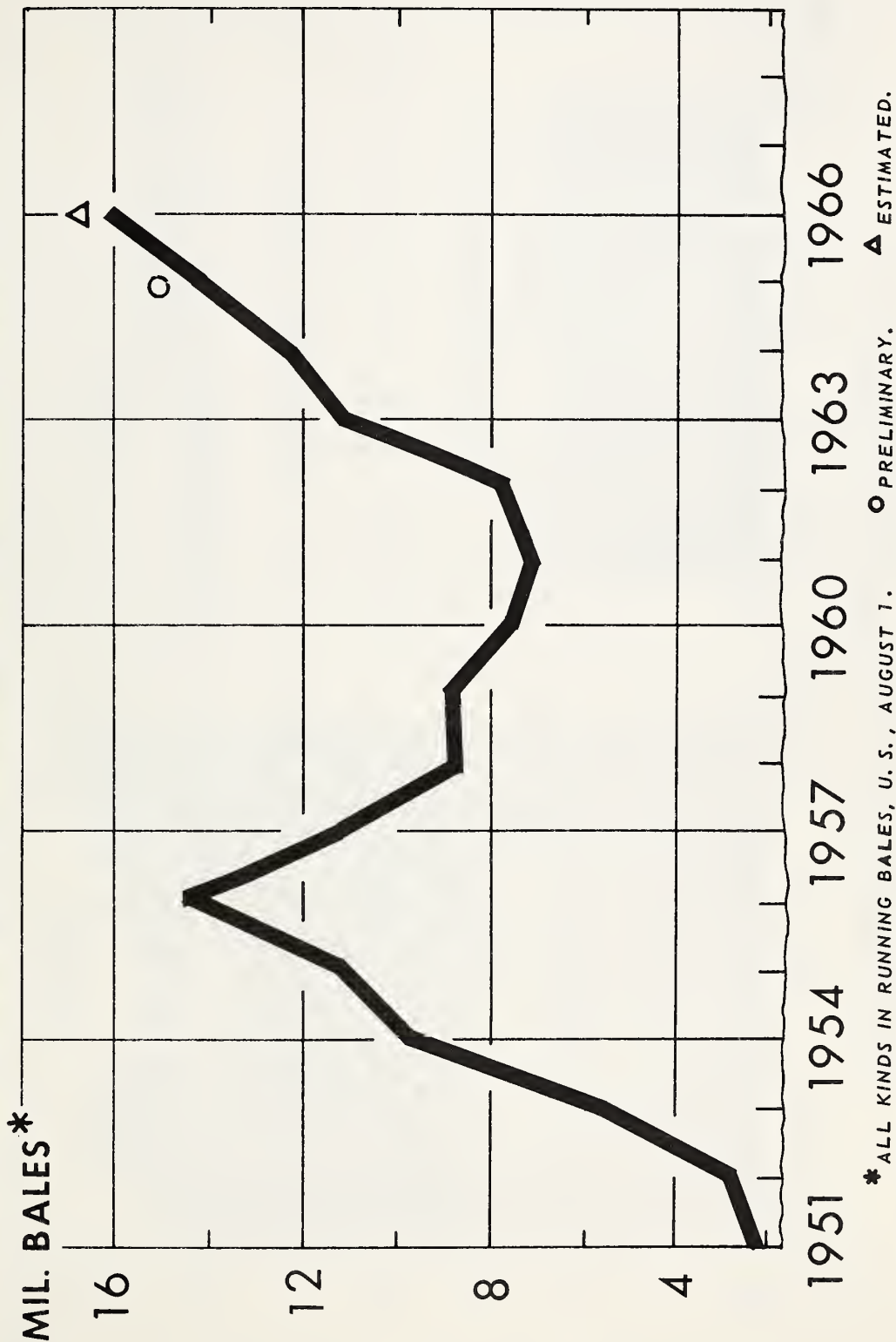
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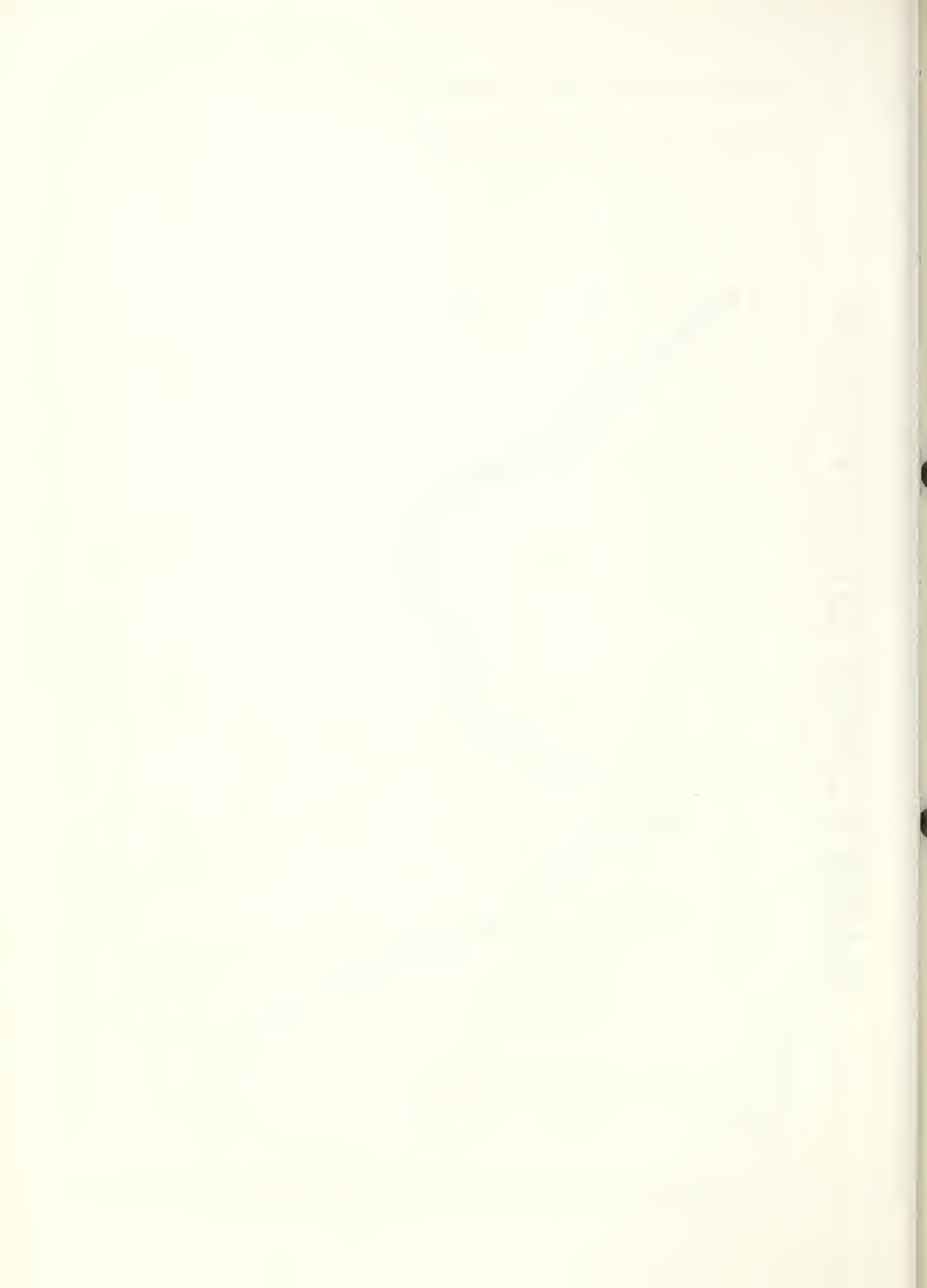
CARRYOVER OF COTTON



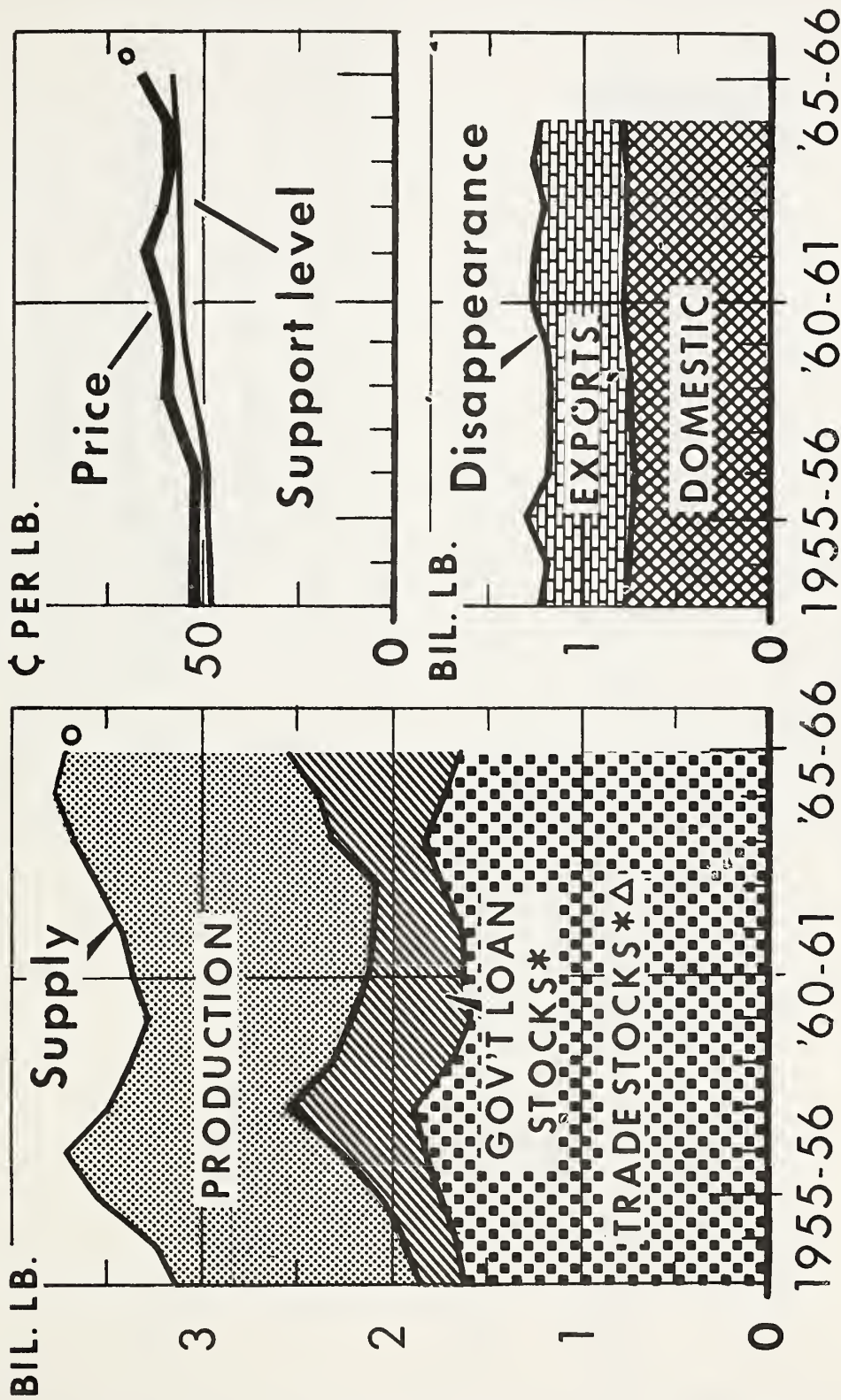
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FIG. 10



FLUE-CURED TOBACCO



° YEAR BEGINNING JULY.

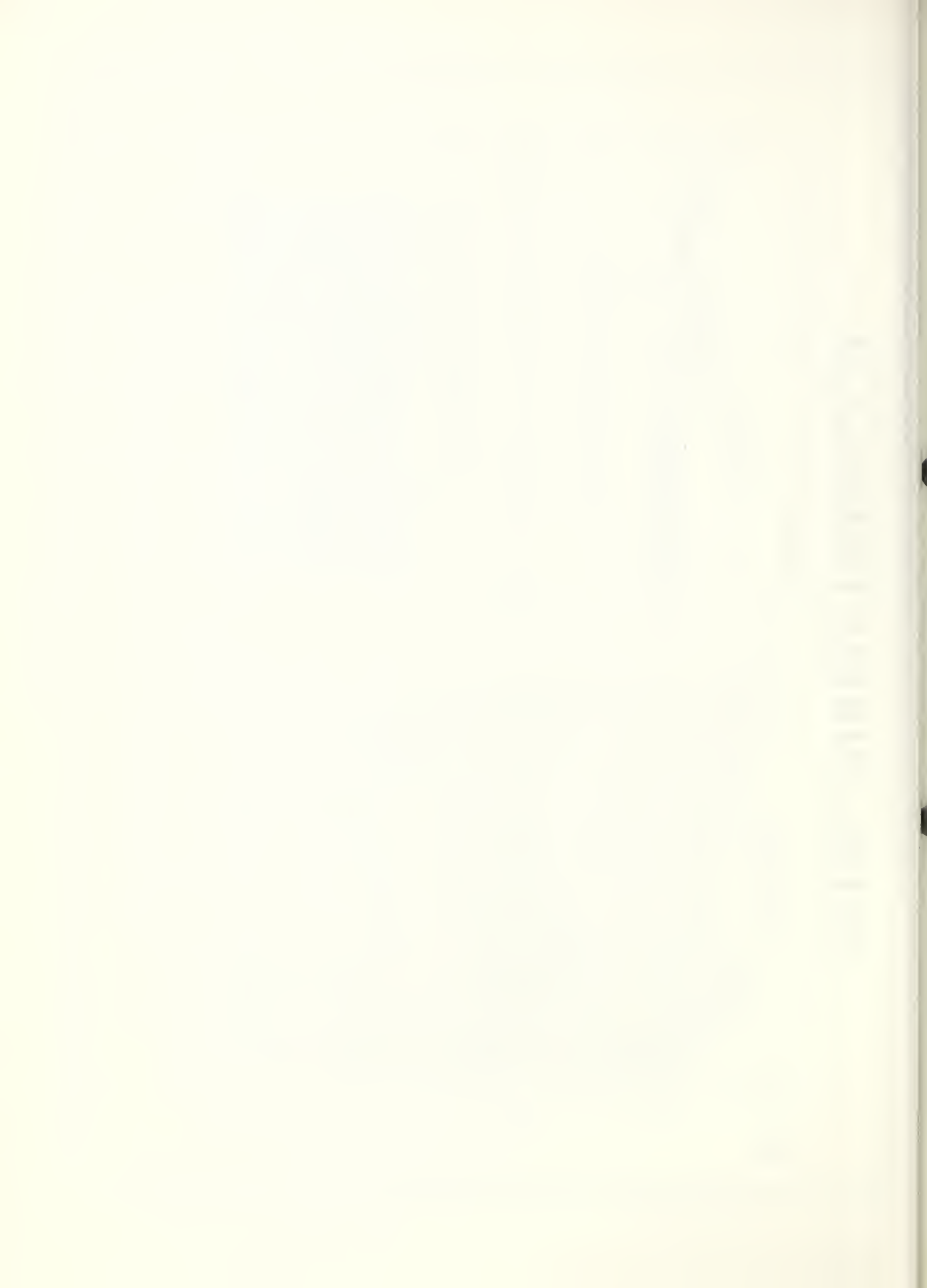
* BEGINNING OF MARKETING YEAR

Δ MANUFACTURERS' AND DEALERS'.

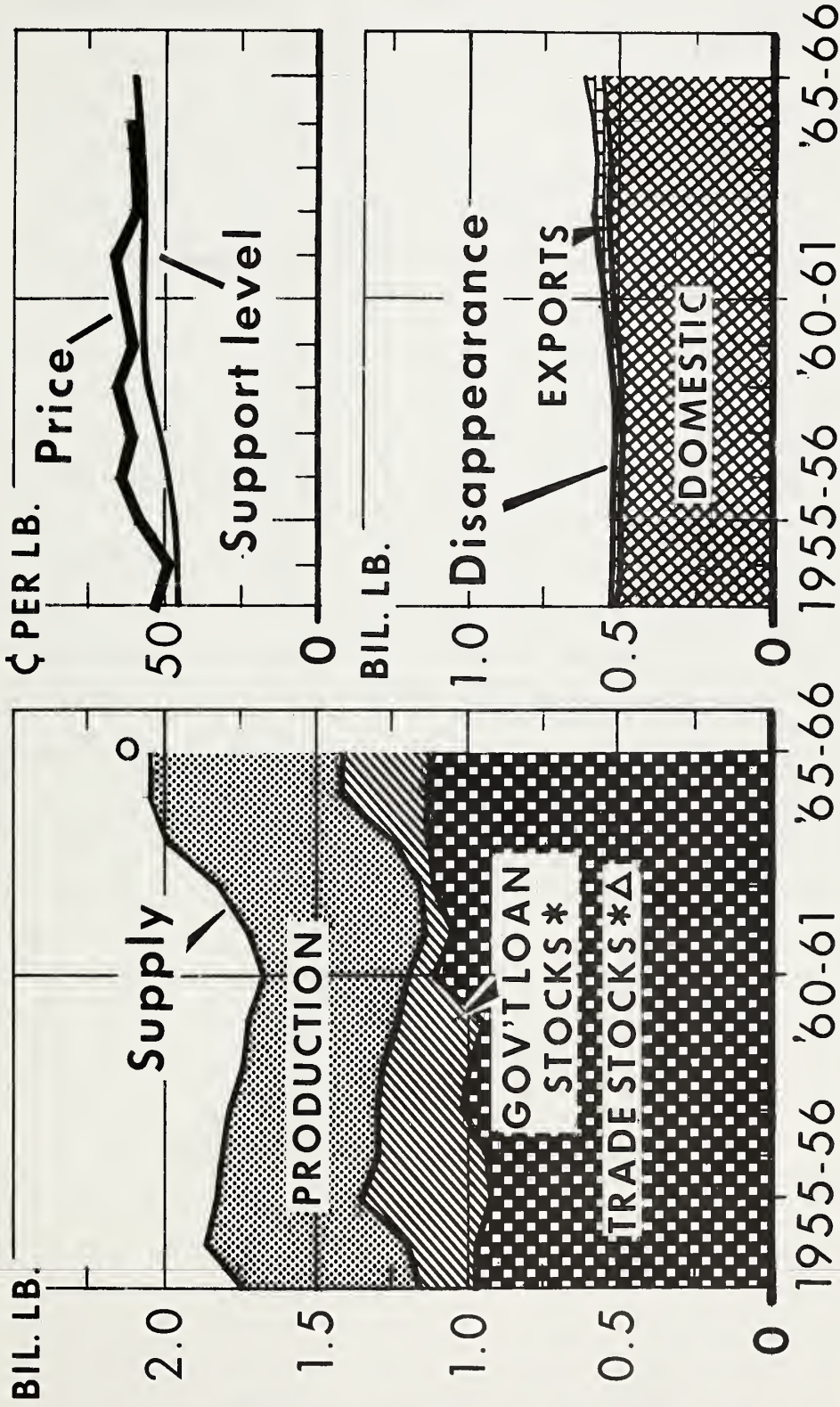
° PRELIMINARY INDICATION.

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NEG. ERS 223 - 65 (11) ECONOMIC RESEARCH SERVICE



BURLEY TOBACCO



YEAR BEGINNING OCTOBER. *BEGINNING OF MARKETING YEAR.
 Δ MANUFACTURERS' AND DEALERS'. ○ PRELIMINARY INDICATION.

1916-17 1084000



Value

Time

the bulk of cash receipts and realized net income. For example, an estimated 1,010,000 farms with sales of \$10,000 or more in 1964 made up 29 percent of all farms, accounted for 81 percent of cash receipts, and received 64 percent of realized net farm income.

- c. Work relating to supplies, prices, distribution, and per capita consumption of fruits and edible tree nuts was strengthened by a substantial expansion in the reviews and analyses relating to processed citrus and noncitrus fruits. A special study on apples indicated that the expansion in production over the next few years is likely to outpace population growth, and pointed up the importance of exploring ways of handling the large expected crops.
- d. Annual per capita food consumption estimates for the U.S. civilian population, the nutritive values of this food, and estimates of total supply and utilization of all agricultural commodities were revised, updated, and published in Statistical Bulletin No. 364, U. S. Food Consumption - Sources of Data and Trends, 1909-63, June 1965. This is the first comprehensive revision of these basic data since the publication of USDA Agricultural Handbook 62 in 1953. In addition to domestic farm food products, commodities covered include coffee, tea, and cocoa, as well as fishery products. New information includes quarterly consumption estimates for meat, poultry, eggs, and fats and oils. Also, beginning with 1960, consumption data for Alaska and Hawaii are added to those for the other 48 States. Consumption of foods donated by the USDA now is reported as a separate component of total civilian consumption. All indexes have been recalculated on the recent 1957-59 base.
- e. The most recent ERS annual survey of hired farm workers showed that approximately 3.4 million people did some farm work for cash wages in 1964. As a group, workers earned about \$7.15 a day from farm work. For an average of 80 days of such work, they earned \$578.
- f. The 3.6 million people who did farm work for wages in 1962 lived in 2.6 million households in December of that year. The total population of these households numbered 11.2 million persons, or about 6 percent of the total population of the U. S. About 27 percent of the farm worker population was nonwhite; fully one half were children and youth under 18 years of age. Over half of the households had annual incomes in 1962 of less than \$3,000, the figure widely used to define families living in poverty.
- g. A study presenting households headed by a male worker 35-54 years old had the highest proportion of indicators of level of living (such as availability of automobiles and telephones, hot piped water within the dwelling unit, house in sound condition, and number of persons per room in the dwelling unit). White-nonwhite differences were much more pronounced than were urban-rural or age differences. Less than half the proportion of nonwhite (35 percent) as white (72 percent) households reported all indicators listed. Family income was closely related to the presence of the level of living

indicators--only 31 percent of families with incomes of less than \$3,000, compared with 74 percent of those with incomes of \$3,000 and over, reported all items.

- h. This is the first time that systematic intercensal age-sex-color net migration estimates were prepared for all counties of the United States.

Patterns of net in or out migration, by age, vary considerably among the counties and other areas. Usually net migration patterns of males and females are similar. In general, outmigration rates of nonwhites exceeded those of whites. Over 2,500 counties experienced outmigration of persons in the most highly mobile age cohort, persons 10-14 years of age in 1950, who were 20-24 in 1960. In over a third of these counties (generally, the most rural in the country) net migration rates were 50 percent or higher.

Additional net migration data, for other geographic, political, and economic groupings of counties, and for certain analytical typologies, has been prepared and will be published in the forthcoming Volume II of this report. Charts in Volume II strikingly illustrate some of the migration patterns of the 1950-60 decade (figs. 22, 23 and 24). Figure 22 indicates the extent of outmigration from highly rural counties and concomitant immigration to the more urbanized counties. Figure 23 reflects the movement of population from low income to high income counties. The high rates of out and in migration among young adults from and to nonmetropolitan and metropolitan counties, and the lower migration rates for other age groups are readily observed in figure 24.

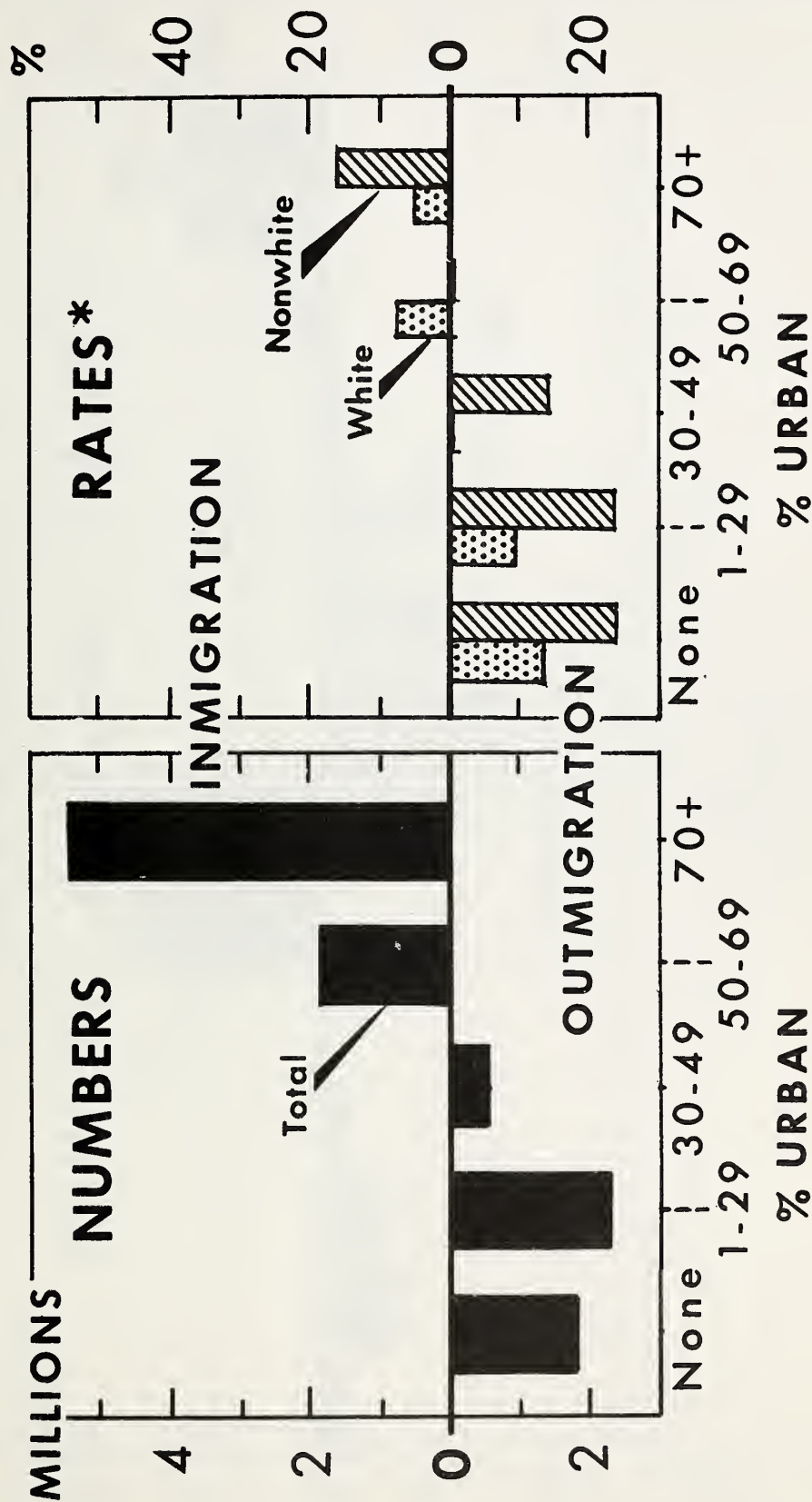
- i. The mothers of high school students were the most important persons encouraging youths to go on to college and influencing their plans for their life's work, according to a study of the career plans of 171 Negro and 240 white high school seniors in three rural counties of northern Florida in 1962. About half of each group expected to continue their education beyond high school--either by going to college or to a business or vocational school. A majority of the boys and girls, both Negro and white, aspired to be professional workers. More of the Negro than white wanted to be skilled workers, and more of the white than Negro wanted to be farm operators.

B. Foreign Development and Trade Research:

- 1. Agricultural Exports Were A Record in Fiscal Year 1964-65: Continuing analysis of the current status and outlook for U. S. agricultural exports reveals that exports for the fiscal year ending June 30, 1965 totaled \$6,096 million, slightly above the previous record in fiscal year 1963-64 of \$6,067 million. The record level of exports was achieved for the second consecutive year in spite of increased competition from foreign exports of several major commodities notably wheat, cotton and tobacco. The export picture in 1964-65 was dominated by a substantial rise in U. S. exports of corn, soybeans, cottonseed and soybean oils,

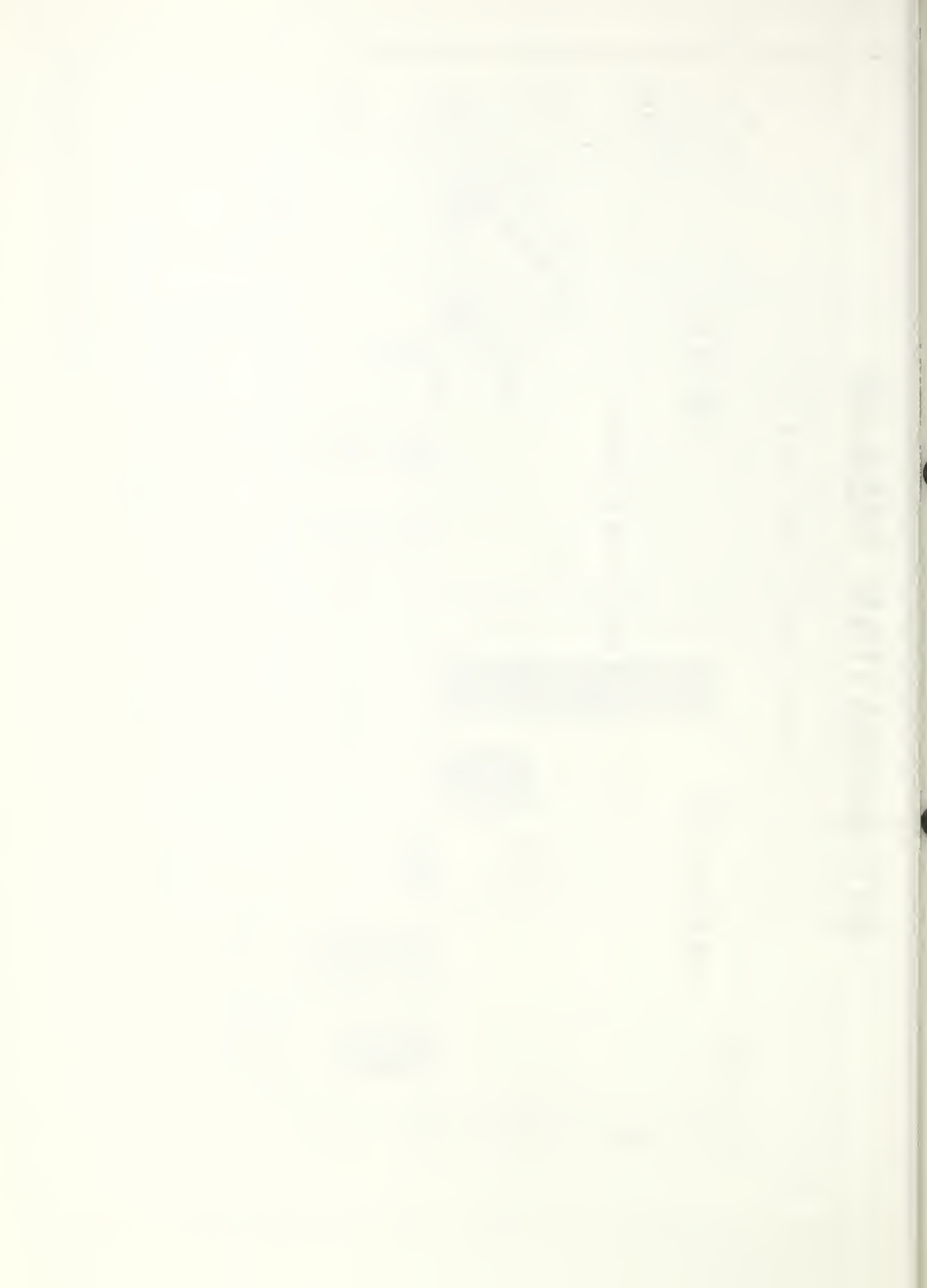
NET MIGRATION, 1950-60

Counties Grouped by % Urban in 1950



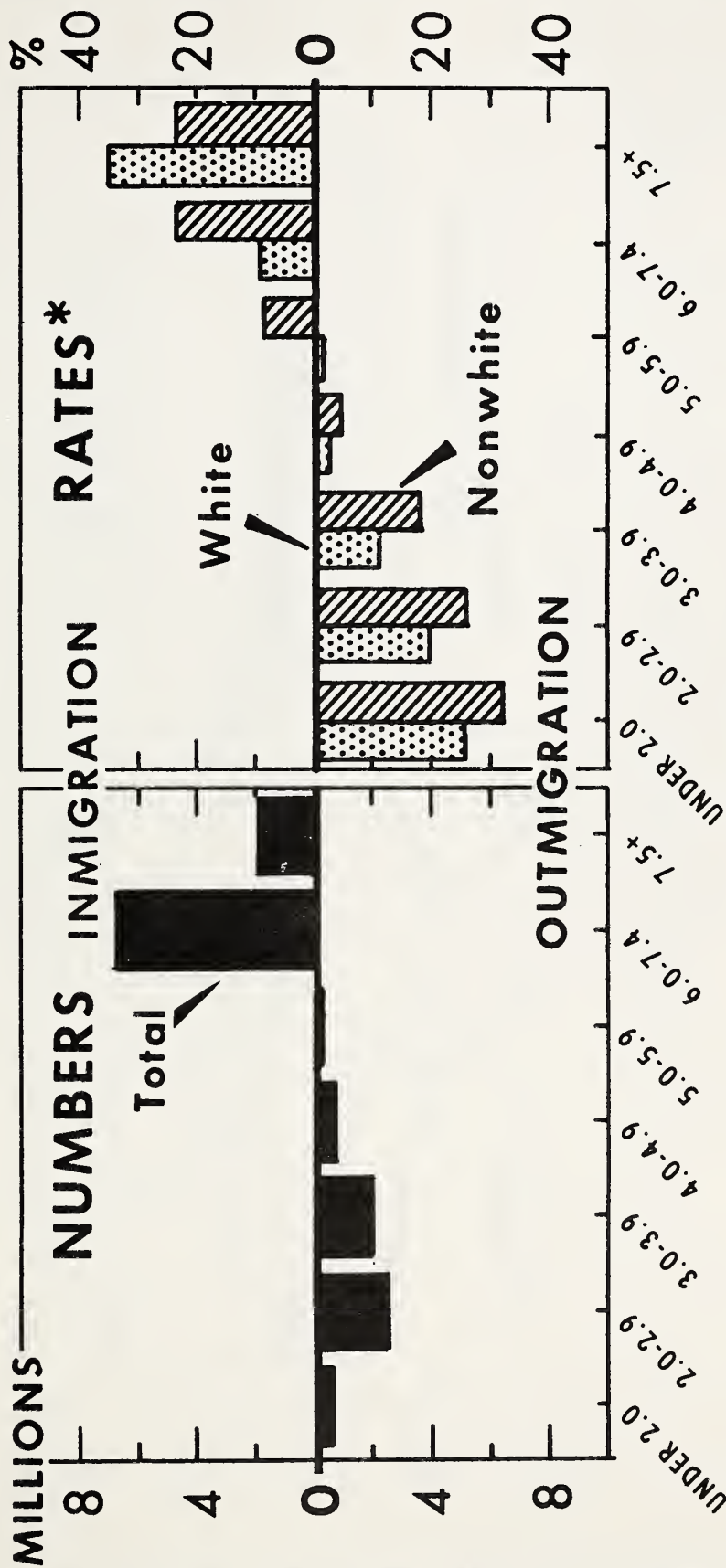
SOURCE: ERS-OSU - ARA NET MIGRATION PROJECT. *CHANGE DUE TO NET MIGRATION EXPRESSED AS A PERCENTAGE OF PERSONS EXPECTED TO SURVIVE TO THE END OF THE DECADE.

FIG. 20



NET MIGRATION, 1950-60

Counties Grouped by 1959 Median Family Income



\$ THOUS.

SOURCE: ERS-OSU-ARA NET MIGRATION PROJECT.
 *CHANGE DUE TO NET MIGRATION EXPRESSED AS A PERCENTAGE
 OF PERSONS EXPECTED TO SURVIVE TO THE END OF THE DECADE.

THE HISTORY OF THE

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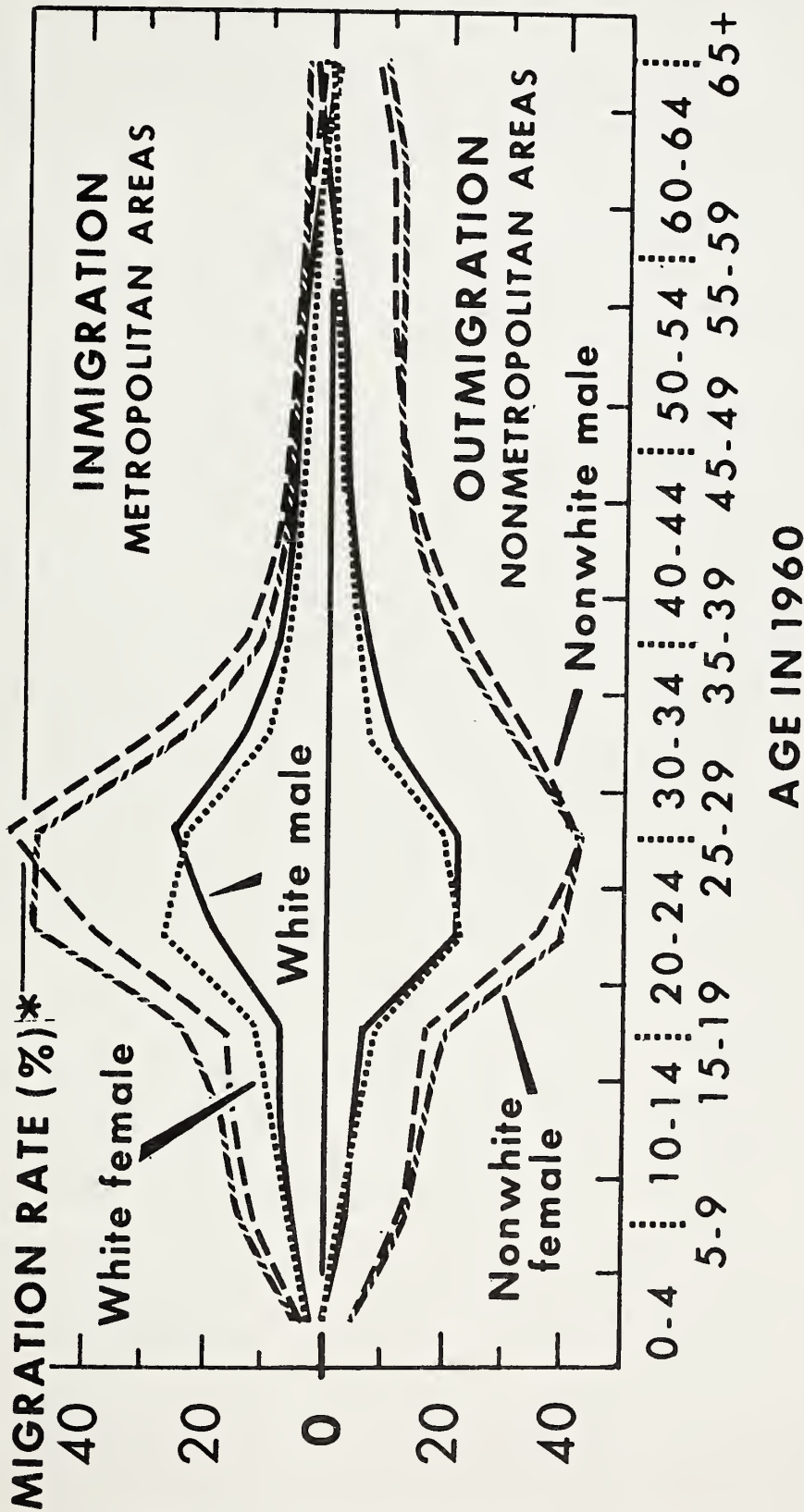
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AGE-SEX-COLOR NET MIGRATION RATES, 1950-60

Metropolitan and Nonmetropolitan Areas of the United States



SOURCE: ERS-OSU-ARA NET MIGRATION PROJECT.

*CHANGE DUE TO NET MIGRATION EXPRESSED AS A PERCENTAGE OF PERSONS EXPECTED TO SURVIVE TO THE END OF THE DECADE.

U. S. DEPARTMENT OF AGRICULTURE

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E-FIG. 24

oilcake and meal, hides and skins, and smaller gains for inedible tallow, dairy products, and fruits and preparations (fig. 25).

Most U. S. agricultural exports are commercial sales for dollars. Dollar exports totaled \$4.4 billion in 1964-65 compared with the record of \$4.5 billion in 1963-64. About 20 percent of the commercial sales for dollars were assisted by export payments compared with 30 percent in 1963-64.

Export assistance in the form of export payments and sales below domestic prices was less than \$500 million. This is not included in the value of agricultural exports. Decreases in exports of wheat and cotton together with lower export payment rates for most commodities reduced the 1964-65 export payments by more than \$300 million below a year earlier.

Exports under Food for Peace program totaled \$1,670 million in 1964-65, only slightly above 1963-64. Export programs represented 27 percent of total exports in 1964 compared with 26 percent a year earlier. Since the inception of Public Law 480 in July 1954 a total of \$16 billion of farm products have been exported under Government-financed programs.

Overseas markets to American agricultural producers have increased in importance in the past few years. Exports in 1964-65 represented about 17 percent of total cash receipts from farm marketings. Approximately 71 million acres were required to produce the agricultural commodities exported in fiscal year 1965, 27 percent more than in 1958-60. Crop production from one out of every 4 harvested acres now is exported. The foreign market provides an outlet for 60 percent of the dried edible peas we produce, over half of the rice, wheat, and soybeans; over two-fifths of the nonfat dry milk, hops, and tallow; around a third of the cottonseed, dried prunes, and cotton; one-fourth of the flaxseed, tobacco and grain sorghums and raisins and close to one-fifth of the dry whole milk, lard, and dry edible beans. Exports account for about 30 percent of cash receipts from farm marketings of corn, and grain sorghums.

A number of factors have contributed to the record level of U. S. agricultural exports. Rapid economic growth in Western Europe and Japan has strengthened demand for livestock products and feed grains. Livestock production has increased sharply in Japan and Western Europe and this has resulted in large purchases of U. S. feed grains, soybeans, and protein meal. In addition, the United States has maintained a vigorous market promotion program carried out jointly by the USDA and industrial groups reaching into 70 countries.

Total agricultural exports in 1964-65 were \$2 billion larger than agricultural imports. The balance of agricultural trade has been highly favorable for the past few years reflecting the pronounced upward trend in agricultural exports while agricultural imports have been relatively stable.

2. Exports to the European Common Market Advance: U. S. agricultural exports to the European Economic Community advanced to \$1,370 million in 1964-65 from \$1,333 million a year earlier. The increase resulted from

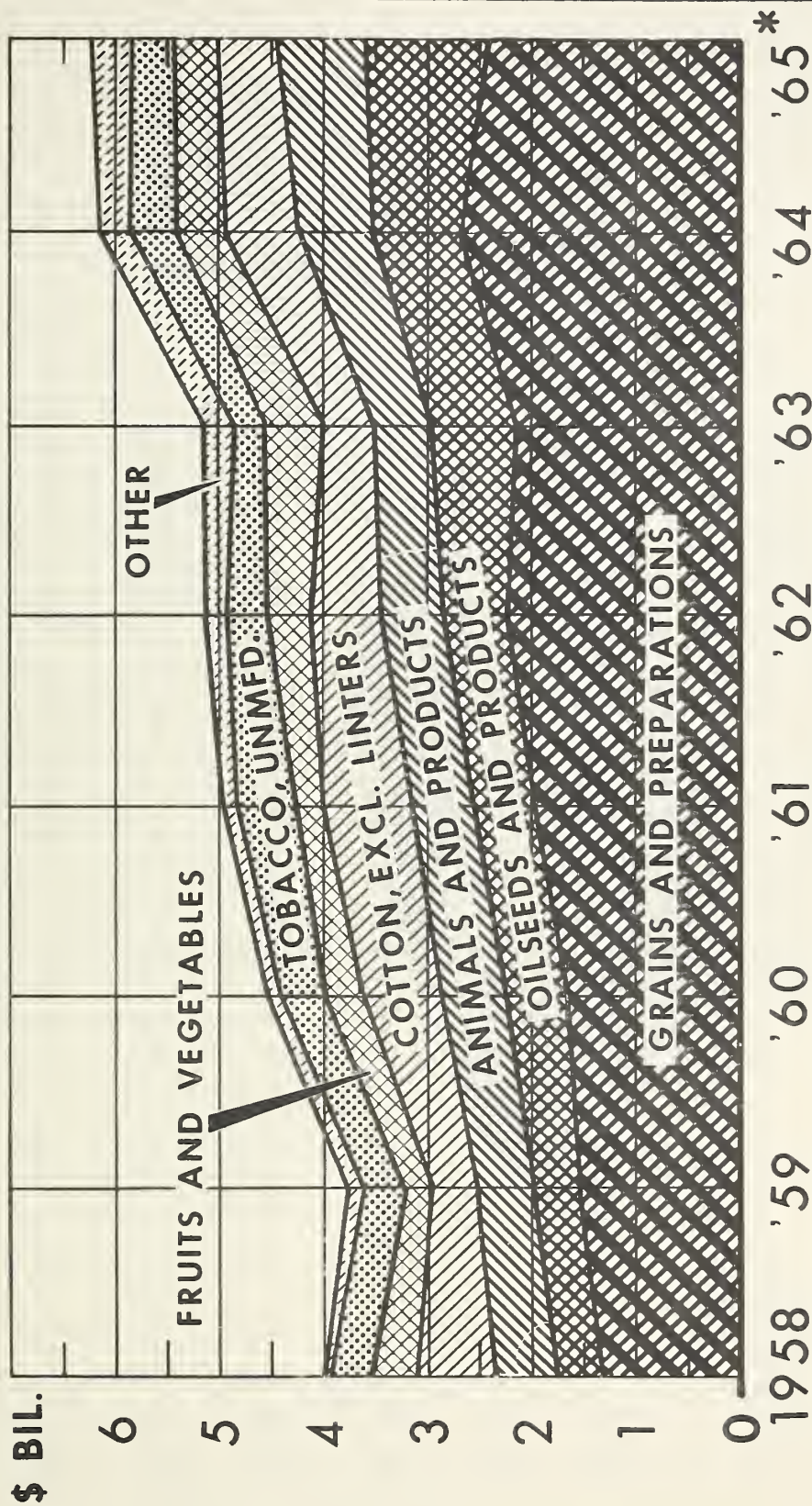
gains in commodities subject to the EEC's system of variable levies and those not subject to the levies. Exports of commodities subject to variable levies totaled \$462 million in 1964-65 compared with \$449 million a year earlier. U. S. exports to EEC of commodities not subject to the variable levies rose to \$908 million in 1964-65 from \$884 million a year earlier. The sharp advances in shipments of soybeans, protein meal, variety meats, and tallow were somewhat offset by sharp declines in exports of cotton and tobacco.

3. Agricultural Exports Help U. S. Balance of Payments: A research analysis shows that the U. S. balance of payments problem would be much worse were it not for the significant contribution made by U. S. agricultural exports. During 1960-64, the value of total U. S. agricultural exports rose from \$4.8 billion to a record of \$6.3 billion (fig. 26). Besides U. S. exports of agricultural commodities for dollars, there are also imputed dollar earnings (and dollar repayments on prior Title IV P.L. 480 credits) arising from U. S. agricultural exports under Government programs. Commercial sales of agricultural products in 1964, including the imputed dollar earnings and repayments of \$327 million arising from agricultural exports under Government programs, totaled \$4,916 million, up 41 percent from 1960.
4. EEC Imports of Meat Likely Will Increase: Imports of meat and livestock by the European Economic Community may be nearly double in 1966 over what they were in 1963 and the 1.4 million ton level of meat imports estimated for 1964 is likely to expand slightly in 1965 and reach 1.5 million in 1966. Underlying the import projection is a steadily rising meat consumption trend in the EEC countries sustained by rapidly rising per capita incomes. Meat consumption was near 10.9 million tons in 1964 and is expected to reach 11.7 million tons in 1966. Production is expected to rise to 10.4 million tons in 1966.
5. Studies of the Effects of P.L. 480, Title I Programs: Research studies indicate that by helping promote economic development and income growth, the P.L. 480 programs have helped expand commercial markets for U. S. farm products in several recipient countries. Japan, a recipient of Title I commodities during the mid-1950's, is now the United States' best commercial customer for farm products. Increases in per capita incomes and foreign exchange earnings in five Title I recipient countries-- Spain, Israel, Greece, Taiwan, and Poland -- have recently enabled these countries to increase significantly their commercial purchases of U. S. farm products (fig. 27).

Most P.L. 480 grain shipments have gone to the developing countries which have experienced a decline in their foreign exchange earnings, a growing demand for capital imports to meet increasing development needs, a critical need for agricultural imports to meet food deficits, and a scarcity of foreign exchange reserves to meet commercial import requirements. Many of the developing countries could not have greatly increased their agricultural imports had these commodities not been available under the various Titles of P.L. 480.

U. S. AGRICULTURAL EXPORTS

By Commodity Groups



FISCAL YEARS.

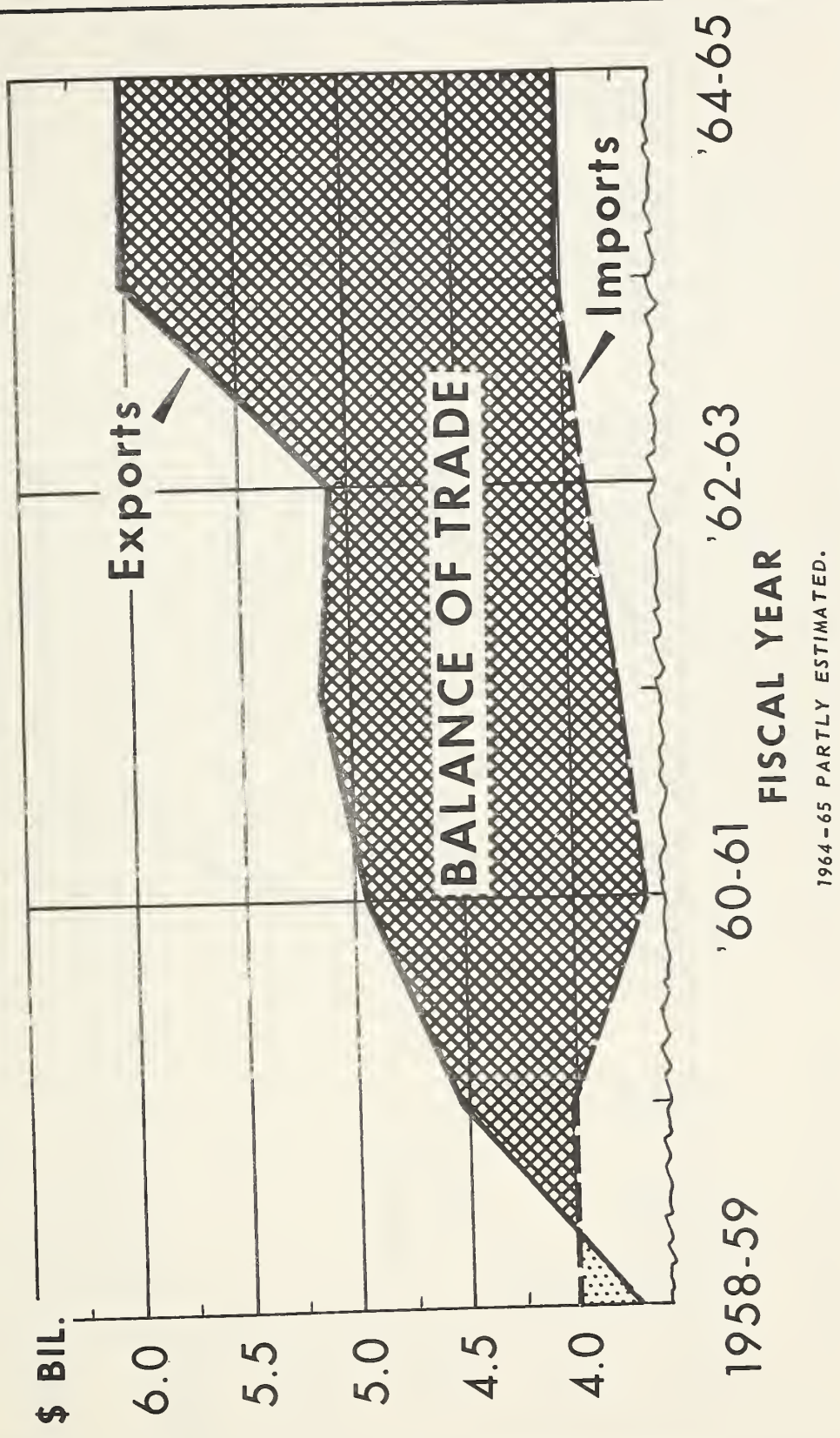
*PRELIMINARY.

U. S. DEPARTMENT OF AGRICULTURE

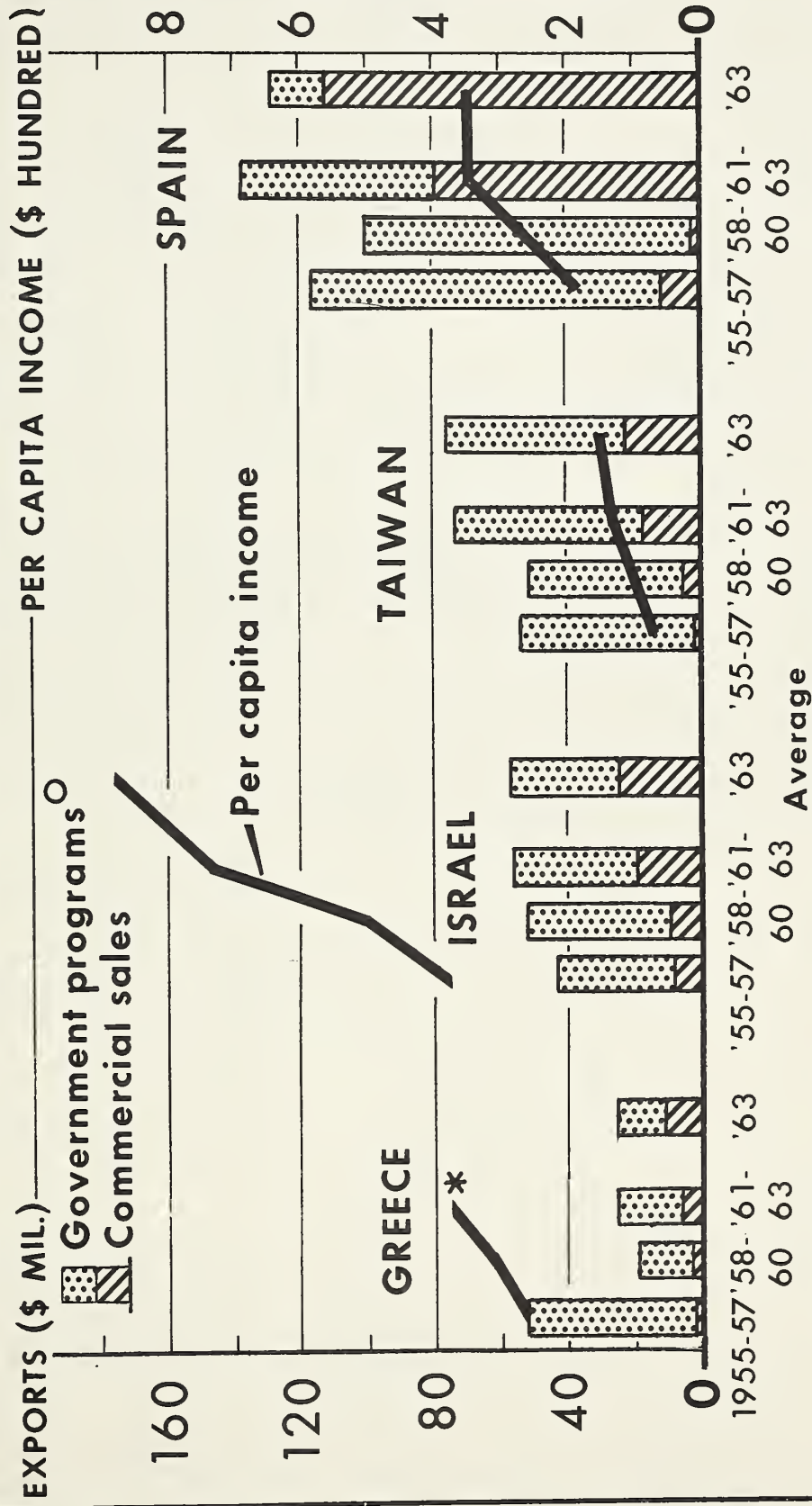
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FIG. 25

U. S. AGRICULTURAL EXPORTS AND IMPORTS



U. S. AGRICULTURAL EXPORTS TO SELECTED P. L. 480 COUNTRIES AND THEIR INCOMES



YEARS ENDING JUNE 30.

* 1961-62 AVERAGE.

INCLUDES SECS. 402 AND 550 OF THE MUTUAL SECURITY ACT AND P. L. 480 TITLES I, II, AND III. TITLE IV SHIPMENTS WERE MADE TO TAIWAN IN 1963.

A detailed study for Greece shows that P.L. 480 Title I imports not only filled a gap between supply and demand but contributed to overall development of the Greek economy. Because of the government's domestic price and distribution policies for wheat, interference with domestic production programs was prevented. At the same time, P.L. 480 feed grain imports which were distributed to local producers at prices near the import price encouraged development of the livestock enterprises which will likely have long-range beneficial effects in making fuller utilization of the country's agricultural resources. Recent expansion of cotton production in Greece was due to the shift in cotton acreage from non-irrigated to irrigated lands and not to a shift in acreage from wheat to cotton. The program assisted in relieving balance-of-payment burdens which otherwise might have inhibited economic growth in general.

6. Foreign Economic Growth Increased Demand for U. S. Agricultural Products: The results of a recent study show that imports of U. S. agricultural products by foreign countries increased about 11 percent for each 10 percent increase in per capita incomes from 1938 to 1959-61.

If the real income growth rates of foreign countries continue, the total value of all agricultural exports from the United States would be more than twice as large in 1980 than they were in 1959-61. Total agricultural imports from the United States would increase from \$4.6 billion in 1959-61 to about \$9.5 billion in 1980 (fig. 28).

Future expansion in the demand for U. S. agricultural and other products will continue to be closely tied to world economic conditions. Foreign market potentials for U. S. agricultural products are especially large in the less developed countries. But commercial trade with these countries can increase only if their economies grow and their incomes rise.

C. Foreign Regional Analysis:

1. Long-range Outlook for U. S. Farm Exports:

- a. The World Food Budget, 1970: This report, published on October 15, 1964, presented the findings of an expanded effort to analyze the supply and utilization of food commodities for the countries of the world. It assessed world food needs and explored and evaluated the problems and possibilities of closing the food gap. A comprehensive analysis was made of the food situation in 92 countries during 1959-61 and made projections to 1970. Projected food balances for 1970 for 74 countries were also published.

Following the completion of the World Food Budget, a task force was established, representing USDA, AID, and BOB, to study in more detail the probable agricultural situation by 1970, 1975 and 1980 of the nine largest aid-recipient countries. The purpose of this study is to establish a better basis for determining the prospective need for and utility of food aid.

- b. Long-term Projections of Foreign Supply and Demand by Country and Region: This work is carried out under contract, usually with

competent research organizations within the country or region, for comprehensive country or regional studies to analyze and project ahead to 1970, 1975 and 1980 the import demand or export availability of agricultural products which are important to U. S. agriculture. To date, 14 studies have been completed of which nine have been published. There are an additional 16 studies in progress, of which 15 will probably be completed within a year. It is planned that 3 more studies will be initiated, making a total of 33 countries covering more than 80 percent of the U. S. farm export market. As soon as the studies are completed, the Service prepares a summary report which includes an evaluation of the study and implications for U. S. agriculture.

The Service plans and directs the studies and reviews and analyzes the results. Considerable use was made of the studies in preparing the World Food Budget, 1970, and for projecting exports of major U. S. farm commodities. Preparations are underway for combining the results of these country studies into projections for major regions and for the world.

2. Foreign Competition and Demand by Country and Region:

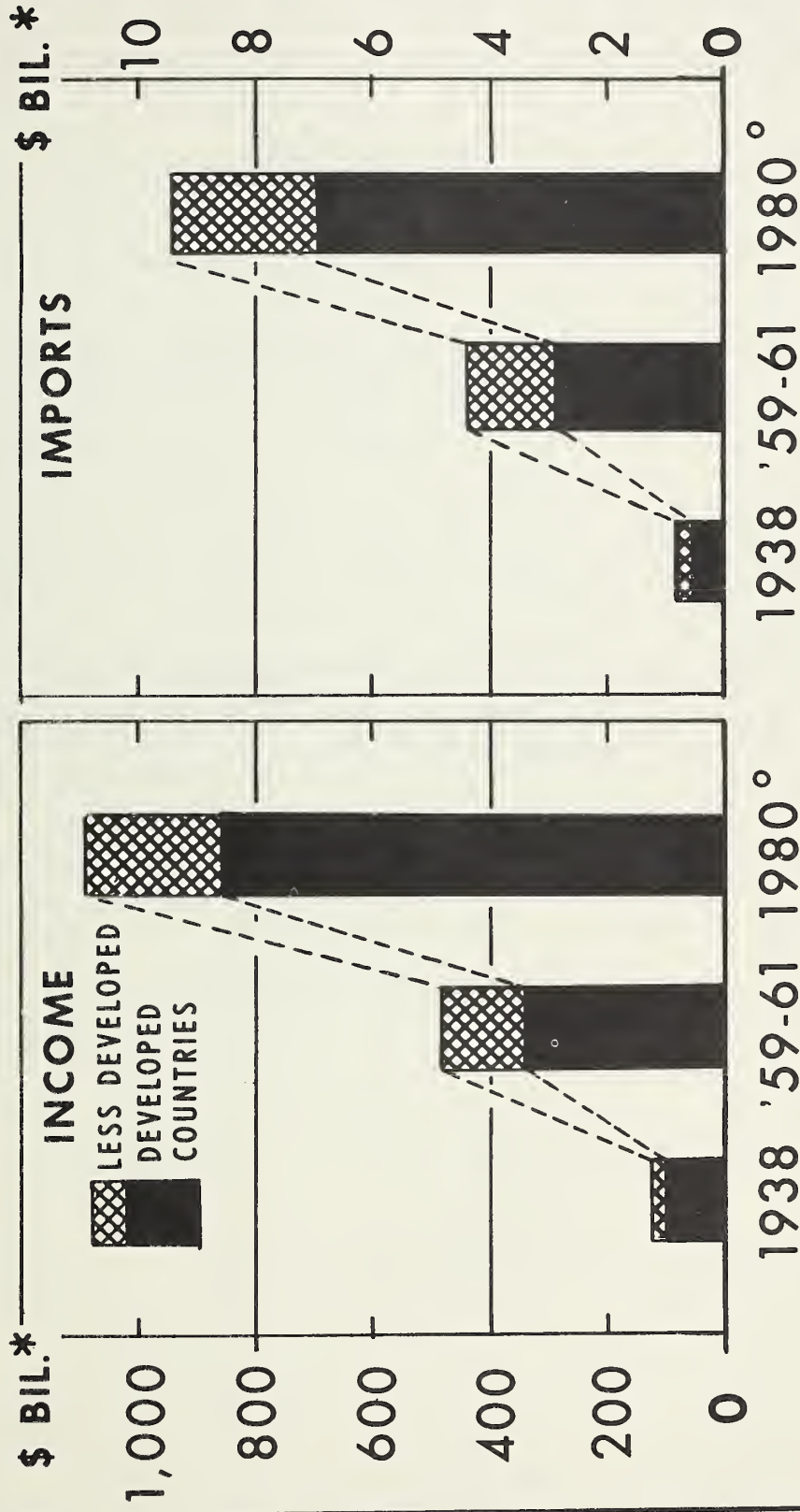
- a. World Agricultural Situation: This report is issued annually in January. The report issued in January 1965 showed farm output, on a per capita basis, to be down about one percent, world farm exports continuing to rise, U. S. Agricultural exports at near record levels, a recovery in the prices of primary farm products, a decline in the monetary reserves of the 11 industrial countries, but a net gain in the less-developed countries.

Beginning in fiscal year 1963, supplementary reports for the 5 major regions of the world have also been published. These reports present recent production, trade and other statistics, review and summarize the current agricultural and economic situation of each country, and appraises the outlook for the demand, supply, prices and trade for farm products in the year ahead and disseminates that information for Government and public use on a continuing basis.

- b. Agricultural Policies of Foreign Governments: Government measures taken to protect agriculture and to support prices and incomes of agricultural producers in foreign countries are analyzed and interpreted on a continuing basis so as to inform the Administration and our negotiators for the Kennedy Round in Geneva as well as to inform public and private groups of changes in policy and how these policies affect foreign competition with a demand for U. S. agricultural commodities.

The agricultural policies of regional organizations such as the European Economic Community, which has agreed on marketing regulations for most agricultural products, are followed very closely. Custom duties in 1964 between EEC members are substantially below

TOTAL INCOME AND U. S. AGRICULTURAL IMPORTS OF FOREIGN COUNTRIES



* CURRENT DOLLARS, EXCEPT 1980 POTENTIAL.

○ 1980 POTENTIAL IN 1959-61 DOLLARS, BASED ON 1953-55 TO 1959-61 GROWTH RATES.

their original levels--60 percent below for industrial products and about 40 percent below for nonliberalized agricultural products. Another 10 percent reduction took place on January 1, 1965. During December 1964, the Common Market members agreed to common grain prices.

- c. Effects of Shifts in Agricultural Production and Trade: Considerable resources are devoted to studies which analyze agricultural developments in foreign countries and evaluate the opportunities and problems for U. S. agriculture arising from shifts in production and trade in foreign markets and competitor countries. During the past year studies were published for the following: Tanganyika, Malaysia, Israel, Turkey, Nigeria, Costa Rica, South Africa, Bulgaria, the Soviet Union, the Congo, North Vietnam, Iraq, North Africa, Pakistan, Southeast Asia, Spain, Communist China, and Egypt, and a report on Increasing World Food Output.

In addition studies are nearing completion for the following countries and regions: West Asia, United Kingdom, Italy, European Economic Community, Japan, Communist China, Bulgaria, Hungary, Eastern Europe, the Soviet Union, Western Hemisphere, Peru, Argentina, Brazil, and Mexico.

3. World Food and Agricultural Statistics by Country and Region: This is a continuing activity involving cooperation with statisticians and commodity specialists of the Foreign Agricultural Service as well as consultations and correspondence with agricultural attaches, market research specialists and international organizations.

- a. Production Indices: Indices of agricultural production, total and per capita, are prepared annually for most of the countries of the world and are summarized by region and for the world. Production is related to a recent base period and a prewar period, thus providing quantitative measurement of changes in agricultural production. These indices show that while total agricultural production has been increasing in recent years agricultural production per person has been virtually the same for the last 5 years (1961-65).

An intensive study analyzing livestock productivity in 15 countries is underway. This study reveals that for most countries there has been an upward trend in livestock productivity.

- b. Food Balances: This project covers the continuing appraisal of the food situation in foreign countries and preparation at regular intervals of food balances indicating food supplies, by commodity, and their utilization.

Food balances for 52 countries were published in August 1964, covering the 3-year period 1959-61 with comparisons with totals for 1956-58. Similar food balances for 38 more countries were published early in 1965. These food balances show some improvements in quantity or quality of food supplies in Western Europe and the Far East but mixed changes in Latin America and Africa. For the first time, food balances were published for the 8 East European Countries.

PASSENGER MOTOR VEHICLES

The 1967 Budget Estimates propose the replacement of three passenger motor vehicles. Passenger motor vehicles are replaced on the basis of mileage and age standards prescribed by the General Services Administration. Standards provide that vehicles to be replaced must be at least six years of age or have been driven 60,000 miles or more.

The passenger motor vehicles of the Economic Research Service are used for necessary field travel in carrying out the following: (1) a national program of economic research and service work related to the utilization of resources in agriculture, problems of adjustments of farm population, and farm financial problems: (2) a marketing economic research program relating to market potentials, distribution, and merchandising of agricultural products. The automobiles are used for travel to farms, market terminals, offices of produce dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators, railroad yards, piers, grain elevators, and warehouses, where use of common carrier is not feasible.

All three vehicles proposed for replacement meet the "60,000 miles or more" standard. One of these vehicles is also over 6 years old. These vehicles are located in Stoneville, Mississippi and College Station, Texas, respectively, where commercial transportation is inadequate to provide the necessary rural driving.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1965 is as follows:

Age-Year Model	Age Data		:	Mileage Data		
	Number of Vehicles	Percent of Total		Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1960 or older	2	17	:	80-100	1	8
1961	1	8	:	60-80	1	8
1962	3	25	:	40-60	--	--
1963	4	33	:	20-40	8	67
1964	2	17	:	Under 20	2	17
1965	--	--	:			
TOTAL	12	100	:		12	100

STATISTICAL REPORTING SERVICE

Purpose Statement

The Statistical Reporting Service was established by Secretary's Memorandum No. 1446, Supplement 1, of April 3, 1961 under Reorganization Plan No. 2 of 1953 and other authorities. The Service was created to give coordinated leadership to the statistical reporting research and service programs of the Department. It provides a channel for the orderly flow of statistical intelligence about the agricultural economy of this country. The primary responsibilities of this Service are the nationwide crop and livestock estimates, coordination and improvement in the Department's statistical requirements, and special surveys of market potentials for agricultural products. Service programs are organized under the following major areas:

1. Crop and livestock estimates, including estimates of production, supply, price and other aspects of the agricultural economy; conduct of enumerative and objective measurement surveys; preparation and issuance of the official National and State estimates and reports of the Department relating to acreages, types and production of farm crops, number of livestock on farms, livestock products, stocks of agricultural commodities, value and utilization of farm products, prices received and paid by farmers, and other subjects as required.
2. Statistical research and service, including review, clearance, coordination, and improvement of statistics in the Department; research on and development of improved statistical techniques used in gathering and evaluating statistical data; data processing activities, with related systems analysis and research, programming and processing of data, research on consumers' preferences on foods, fibers, and their by-products and consumers' evaluation of costs and other factors when buying these products.
3. Research under Section 104(a) and (k) of P.L. 480 - Services are performed in connection with the execution and development of studies conducted overseas with foreign currencies by research institutions in foreign countries. Professional personnel in the Statistical Research Service review for technical adequacy these projects prior to the contract execution phase; thereafter, they periodically appraise progress and methods used in carrying out the work, and review the resulting final reports. That portion of these Explanatory Notes applicable to the Special Foreign Currency Programs of the Agricultural Research Service and the Foreign Agricultural Service contain discussions of 104(a) and (k) activities.
4. Work Performed for Others - Services are also performed for other Federal, State, and private agencies, on a reimbursable or advance payment basis. These services consist primarily of conducting surveys and performing related statistical data collection activities. They also include participation in the Agency for International Development foreign visitor training program.

The Statistical Reporting Service maintains a central office in Washington, D.C., but a large part of the crop and livestock estimates program is carried on through 43 State offices.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available, 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Statistical Reporting Service:						
Salaries and expenses	\$11,930,569	1,178	\$14,067,000	1,274	\$13,434,000	1,327
Obligations under other USDA appropriations:						
Agricultural Stabilization and Conservation Service, for crop and wool data on special bases, for price support and marketing quota programs	126,600	13	116,400	12	100,000	10
Consumer and Marketing Service, for statistics on livestock slaughter and for milk price data for selected states	26,800	2	26,700	2	27,000	2
Economic Research Service, primarily for survey on pesticides and on cotton production costs	725,340	98	214,600	26	490,000	62
Federal Crop Insurance Corporation, for detailed county acreage, yield and production data	110,500	11	116,200	11	117,000	11
Other agencies, for specialized crop and livestock statistical data ...	7,198	--	5,000	--	--	--
Data Processing Work:						
Agricultural Research Service	154,662	10	150,000	11	250,000	18
Consumer and Marketing Service	351,653	22	280,000	20	250,000	18
Economic Research Service	316,182	20	550,000	42	350,000	25
Foreign Agricultural Service	27,000	2	40,000	3	60,000	4
National Agricultural Library	18,952	1	35,000	3	70,000	5
Office of Management Services	12,686	1	25,000	2	25,000	2
Office of Management Appraisal and Systems Development	--	--	--	--	50,000	4

Item	Actual		Estimated		Budget Estimate	
	1965		Available, 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Data Processing Work:						
(continued)						
Rural Electrification						
Administration	20,412:	1:	16,000:	1:	20,000:	1
Soil Conservation Service :	78,000:	5:	100,000:	8:	350,000:	25
Other agencies	15,486:	1:	6,000:	--:	10,000:	1
Total, other USDA						
appropriations	1,991,471:	1187:	1,680,900:	141:	2,169,000:	188
Total, Agricultural						
Appropriation Bill	13,922,040:	1,365:	15,747,900:	1,415:	15,603,000:	1,515
Other funds:						
Agency for International						
Development:						
Training of foreign						
participants	79,065:	6:	78,000:	6:	78,800:	6
Technical consultation ...:	16,844:	1:	17,300:	1:	17,400:	1
Total, Agency for Inter-						
national Development ...:	95,909:	7:	95,300:	7:	96,200:	7
Economic Development Admin-						
istration, Department of						
Commerce	9,063:	1:	--	--:	--	--
Bureau of the Census, De-						
partment of Commerce, for						
assistance on the 1964						
census of agriculture	120,099:	10:	140,690:	12:	--	--
Cooperative crop reporting						
service Pennsylvania State						
Department of Agriculture :	28,000:	4:	28,000:	4:	28,000:	4
Department of Health, Edu-						
cation and Welfare for data:						
processing	10,323:	1:	2,000:	--:	--	--
Department of Labor, for						
survey of hired farm labor :	145,000:	20:	44,000:	6:	--	--
Forest Service, for data						
processing	22,669:	1:	20,000:	2:	25,000:	2
National Commission on food						
marketing, for data						
processing	--	--:	14,700:	1:	--	--
Tennessee Valley Authority, :						
special survey	10,000:	1:	--	--:	--	--
Miscellaneous reimbursements:	24,849:	4:	22,410:	3:	17,800:	2
Total, other funds	465,912:	49:	367,100:	35:	167,000:	15
Total, Statistical Reporting						
Service	14,387,952:	1,414:	16,115,000:	1,450:	15,770,000:	1,530

Proposed Transfer in the 1967 Budget Estimates

The 1967 Budget includes the transfer of statistical functions on the consumption of fertilizers and plant nutrients from the Agricultural Research Service to the Statistical Reporting Service. The functions involved in the \$66,000 transfer are related to those normally performed by the Statistical Reporting Service.

Salaries and Expenses

Appropriation Act, 1966	\$13,755,000
Transferred to "Operating Expenses, Public Buildings Service", General Services Administration for space rental	4,000
Proposed transfer in the 1967 estimates from "Salaries and Expenses", Agricultural Research Service	66,000
Proposed supplemental, 1966, for increased pay costs	250,000
Base for 1967	14,067,000
Budget Estimate, 1967	13,434,000
Decrease	-633,000

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease		1967 Estimate
		Pay Costs	Other	
Expansion of the long-range program for improving crop and livestock estimates ..	\$3,996,000	+\$25,000	+\$116,000	\$4,137,000
Improved data collection system for farm employment and farm wage rates	300,300	+2,000	+512,000	814,300
Computer programming and conversion costs	740,000	- -	-204,000	536,000
Large-scale computer purchase	993,000	- -	-993,000	- -
Reduction due to management improvements ..	- -	- -	-150,000	-150,000
All other	8,037,700	+59,000	- -	8,096,700
Total	<u>14,067,000</u>	<u>+86,000</u>	<u>-719,000</u>	<u>13,434,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases		1967 (estimated)
			Increased Pay Costs (P.L. 89-301)	Other	
1. Crop and livestock estimates	\$11,275,926	\$11,740,000	+\$81,000	+\$478,000(1)	\$12,299,000
2. Statistical research and service	576,391	2,327,000	+5,000	-1,197,000(2)	1,135,000
Unobligated balance	78,252	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)....	(- -)	(286,666)	(+112,871)	(+15,000)	(414,537)
Total available or estimate	<u>11,930,569</u>	<u>14,067,000</u>	<u>+86,000(3)</u>	<u>-719,000</u>	<u>13,434,000</u>

(1) A net increase of \$478,000 for strengthening crop and livestock estimates, including:

(a) \$116,000 for expansion of the long-range program for improving crop and livestock estimates.

The full program of enumerative surveys of a scientific sample of farms will be extended to all 48 conterminous States by expanding the three West Coast States and the six New England States from the pilot program to a full operational basis. This

program undergirds the entire crop and livestock estimating system by providing reliable sample data for verifying estimates on crop acreages, livestock numbers, farm employment, number of farms, and yields of certain major crops during the growing season. Other probability sampling activities of the agency (i.e., quarterly pig crop) as well as those conducted for other Federal agencies will be closely coordinated within this basic framework.

(b) \$512,000 for improved data collection system for farm employment and farm wage rates.

This request for increased funds is for establishing an improved and more reliable basis for State and National estimates of hired farm workers and the wage rates paid to them, the number of family workers, and the hours worked on farms.

Dynamic changes in farm labor use, supply, and costs make it necessary to strengthen and amplify Statistical Reporting Service data on farm employment, hiring arrangements, and wage rates, and characteristics of farm workers by States. The need for data as a guide in providing essential labor was shown during the past crop year after problems arose following the sharp reduction in foreign labor (braceros and others) used for special problem crops. More data of greater reliability are also needed on the employment and earnings of both regular and short-term hired workers including earnings at piece rates, by type of crop. Data on employment and hours of work of farm family members are needed to measure employment potentials in many rural areas.

(c) A decrease of \$150,000 resulting from management improvements.

Cost reductions resulting from operating improvements within the Statistical Reporting Service makes this savings possible. A new third generation computer, to be acquired during the latter part of the 1966 fiscal year, is expected to be in operation from the beginning of fiscal year 1967. Economies are expected to accrue from this development and also from increased efficiency gained from further experience in estimating post-harvest objective yields and also in other phases of the enumerative survey operation.

(2) A decrease of \$1,197,000 for statistical research and service consisting of the following:

(a) A decrease of \$204,000 for computer programming and conversion costs.

A total of \$1,276,000 will be required for conversion costs for reprogramming and other related costs incurred as a result of the planned purchase in late fiscal year 1966 of the large-scale modern electronic computer capable of efficiently and economically processing the millions of complex statistical calculations required by the expanded and improved crop and livestock estimates program. Because of the magnitude of the job, the completion of the total conversion can most effectively be accomplished if extended into F.Y. 1967. Of the \$1,276,000 estimated for conversion costs, \$740,000 is to be obligated in F.Y. 1966 and the remaining \$536,000 is required for 1967, thus permitting a reduction of \$204,000 in the appropriation requested.

- (b) A decrease of \$993,000 for large-scale computer purchase.

This amount, which was provided in F.Y. 1966, will be used for purchasing computer hardware, a non-recurring item.

- (3) An increase of \$86,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-103. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The Statistical Reporting Service is the primary data collection agency for agriculture. It is responsible for statistical reporting and service work, including crop and livestock estimates, statistical coordination and improvement, and marketing data surveys.

Work under this appropriation is accomplished through two financial projects: (1) Crop and livestock estimates, and (2) Statistical research and service.

CROP AND LIVESTOCK ESTIMATES

Current Activities and Trends: This program includes the collection, analysis, and interpretation of basic production and economic data on farming, and preparation of official National and State forecasts, estimates and reports relating to food and agriculture. These reports and estimates cover the most important aspects of production and marketing--number of farms and acreage in farm lands; acreages, yields, production, stocks, value and utilization of crops; numbers and production of livestock, poultry and their products; prices received by farmers for products sold and prices paid for commodities and services bought for living and production; farm employment and wage rates; quantities of various foodstuffs in cold storage; and other aspects of the agricultural economy. In addition, the program includes computing the parity index and determining and publishing parity prices for agricultural commodities. The estimates and forecasts are released through the medium of about 700 reports each year.

Several hundred thousand farmers, processors, merchants, and others serve as volunteer reporters, and their reports are supplemented by field observations, objective yield measurements, and other data to provide the resulting reports issued for public information.

Long-Range Program for Improving Crop and Livestock Estimates: The principal goals of this program are to (a) increase the accuracy and dependability of National and State data, (b) improve agricultural price statistics, (c) expedite the release and distribution of reports, and (d) provide additional data and services needed for certain commercially important products.

Selected Examples of Recent Progress:

1. Progress of Enumerative Surveys and Objective Yield Project: The enumerative survey program inaugurated in 1954 on a research basis continues with accelerated emphasis, covering as of June 1965, 39 States on an operating basis and all other mainland States on pilot basis. Under this program, 11 Southern and 4 North Central States were converted from the experimental pilot basis to an operating level in 1961. Five North Central States were converted in 1962, 4 additional States in 1963, 8 more in 1964, and 7 States were added in 1965.

An improved product is the resulting dividend received because of the emphasis being placed on this estimating approach. National and regional acreage data are improving with the addition of more States to an operational basis. Yield per acre forecasts for corn, cotton, and wheat, based on objective yield measurements, are being used in estimating the actual

yield level of these crops. Pre-harvest yields are providing important data. The grain or cotton is harvested from selected small plots, weighed, and this weight converted to yield per acre. New forecasting models were developed for soybeans, based on earlier studies. Maturity categories were re-defined. These new models were used during the fall of 1965. Early results are quite satisfactory, but continued testing is planned to improve the forecasting models.

The expanded livestock data from the December and June enumerative surveys in the 39 operational States were reviewed along with the regular mail survey indications to help determine State estimates. The June 1965 enumerative survey provided good indications on the National level with relatively small sampling errors. At the State level, however, sampling errors are still somewhat large and additional study is needed to determine what methods or changes are needed to make indications more reliable.

2. Estimating Procedures Modified: In preparing most crop and livestock estimates, the Crop Board's policy has been to adopt estimates by States. The United States estimate has been the sum of the State estimates. While this procedure has been generally satisfactory in the past, it did not provide for the most efficient utilization of the June Enumerative Survey data, primarily at the national level where standard errors are comparatively small. In order to obtain maximum usefulness of the June Enumerative Survey, a study was initiated to determine the feasibility of adopting United States and regional estimates and having State estimates round to the United States total. The study indicated that such a procedure could be adopted and would contain certain statistical advantages as well as minimizing the time required to process estimates.

The procedure was used in making estimates for the June 1 and December 1, 1965 pig crop reports, July 1, 1965 estimate of milk cow numbers, and the 1965 July planted acreage estimates for corn, soybeans, cotton, flue cured and burley tobacco. This approach is expected to be further utilized in making estimates for additional commodities in subsequent years as the sampling program is extended to cover all States.

3. Farm Employment and Wage Rates: As the continuing major product of Statistical Reporting Service in this field, the Statistical Reporting Service monthly publication Farm Labor indicates by States, Regions, and for the United States, the level of farm family and hired workers employed on the Nation's farms. This is the only comprehensive summary of comparable data available on a State basis. The average number of all farm workers in 1964 was 6 percent less than in the previous year. The number of hired workers decreased 10 percent. The same trend continued in 1965. The importance of such rates of change in relation to people and business heightens the need for employment statistics by States or smaller areas. Wage rates of hired farm workers developed increased interest in the past year because of the sharp changes in supply of foreign workers and strong demand for regular farm workers. The average of reported rates gained 3 percent in 1964 and 5 percent during calendar 1965.
4. Speed-up of Fresh Market Vegetable Release: Starting with January 1965, a speed-up of monthly fresh market vegetable releases was put into effect.

The reports are generally issued not later than the 8th of each month, a speed-up of about 2 days over the previous program. The speed-up program has been well accepted by the State offices and industry. Since the speed-up of the fresh market release was made, requests have been received for a similar speed-up of the processing vegetable and potato releases.

5. Quarterly Pig Crop Report: The probability mail survey was conducted each quarter during fiscal year 1965. A non-response followup enumeration was conducted on March 1, 1965, June 1, 1965, and on September 1, 1965. Sampling errors and coefficients of variation were computed from the June 1, 1964 and March 1, 1965 data for two items; all hogs, and sows farrowing the previous quarter. These were computed for the non-response data for both the livestock and non-livestock portions of the sample. In addition, variances and coefficients of variation were computed from a sample of the mailed returns. These variances were used to study overall sample sizes and provide a basis for establishing an optimum allocation of non-response interviews by size groups.

Tests of significant differences were made between the mail mean per livestock farm and the mean per non-response interview. In both June 1964 and March 1965, 7 out of 10 States showed differences that were significant at the 5 percent level and 4 out of 10 States were significant at the 1 percent level.

6. Cold Storage Report: Regular monthly reports on market supplies of food held under refrigeration were released to the trade during the 1965 fiscal year. These were supplemented by an annual report on regional cold storage holdings and special reports on tree nuts in storage by kinds and a breakdown of frozen strawberry stocks by package size.

Interest in the monthly "Cold Storage Report" increased markedly in the past year because of record trading in the futures market on frozen pork bellies. Data collected by Statistical Reporting Service are the only source of information on national supplies.

7. Corn Yield Study Planned: The official corn yield-per-acre estimates, published by the Crop Reporting Board, have traditionally been based largely on reports from farmers in response to mailed inquiries from this agency. The yield levels have been tied to the Census Bureau enumerations conducted each five years. In recent years, Statistical Reporting Service also has had available objective corn yield data obtained by harvesting and weighing small sample area plots. The yields reported by farmers have consistently been lower than those indicated by objective samples.

In the spring of 1965, a special comparison study of reported acreage and production for 1964 was made for about 3,200 Iowa farms. The 1964 Census enumeration report was compared with the 1964 acreage and production reports by identical farms revealing that farmers reported about the same information to the Census enumerators as they reported on the agency A & P questionnaires.

In mid-June 1965, a committee was appointed to study the problem of the various indicated levels of corn yields and to determine action needed to

reconcile the difference in the levels between the objective yields, mail survey, Census data, and the Board yields of corn. A survey designed to document the various yield relationships and determine reasons for the differences was conducted in the fall of 1965 and results will be available for use in connection with Census revisions covering the period 1959-64.

8. Objective Fruit Counts and Measurements: Objective fruit counts and measurements of rates of growth and droppage were utilized in preparing production forecasts for almonds, grapes, cling-stone peaches, walnuts, and lemons in California; oranges, grapefruit, tangerines, and tangelos in Florida; filberts in Oregon; and pecans in New Mexico. Studies of growth rates were made on a limited sample of cherry trees in Michigan, and the pilot study of objective counts and measurements of apples was continued for the third season in Virginia.
9. Cattle-on-Feed: Idaho and Utah-Nevada made a complete enumeration of their cattle-on-feed universe as of January 1, 1965, and Alabama and Kentucky did the same enumeration on April 1, 1965. Funds were also allocated to Nebraska for enumeration of their large feeder strata and a non-reponse sample survey of their farm feeders as of January 1, 1965; and to Missouri and North Dakota for developing a list of large feeders and for non-response surveying of their large feeder groups April 1, 1965. North Dakota and Missouri plan to estimate large feeders separately in the future. These enumerations and non-response work bring the universe of cattle feeders up to date in each State and provide a solid benchmark for succeeding quarterly estimates.

Beginning June 1, 1965, Nebraska began processing the monthly cattle-on-feed survey on ADP equipment. Colorado has begun the systems and programming work to process (editing and summarizing) its monthly and quarterly cattle-on-feed surveys on a computer.

10. Plan and Supporting Fund Request Submitted for Expanded Program for Farm Employment and Wage Rate Data: Shortcomings in the statistical basis for data on farm employment and wage rates are well known to both Washington and field staffs of Statistical Reporting Service.

A program for developing more adequate data of proved dependability will of necessity require greater expenditures than presently devoted to this phase of agricultural statistics. Such a program has been outlined and presented for consideration. The program would utilize enumerative surveys in some areas and mail surveys of adequate size and design with provisions for follow-up on samples of non-respondents.

11. Weekly Check on Hired Farm Labor Shortage Situation: The termination of Public Law 78, 82nd Congress (7 USC 1461 et seq) at the end of 1964 largely removed foreign farm labor including Mexican "braceros" as a source of harvest labor for certain crops in a number of States. In order to keep the Department and other agencies of the government informed of the crop and labor situation, Statistical Reporting Service statisticians in selected States were instructed to supply statements of present or prospective labor shortage situations each week. State Statistical Reporting

Service offices included information from Extension Service county agents, and offices of Agricultural Stabilization and Conservation Service and Farmers Home Administration when such agencies had data to report. The California Statistical Reporting Service office provided committee leadership representing the Federal-State Market News Service, Federal-State Shipping Point Inspection Service, and the California Department of Employment. This group developed comprehensive weekly statements of comparative crop supplies, labor needs, probable shortages, and other related data.

12. End of Crop Year Soybean Stocks Report Shifted to September 1: The final soybean stocks report of the marketing year was shifted from October 1 to September 1 beginning September 1, 1965. This shift in the final stocks report of the marketing year will minimize the problems of separating new crop soybeans from utilization data and from the end-of-year or carryover stocks. This change has been received with acclaim by the soybean trade.
13. Avocado Forecasts: 1. Effective November 1, 1964 a program of forecasts was inaugurated for California avocados. The forecasts are broken into "Fall and Winter avocados" for November 1 through May 1; "Spring and Summer avocados" April 1 through August 1 and "All avocados" April 1 through August 1.

2. In Florida beginning with the 1964 crop, a program of separate forecasts for each month September 1 through December 1 was inaugurated. This replaced the former practice of carrying the September 1 forecast forward to October 1 and November 1 without new surveys.
14. Sheep Inventory and Wool Production: A special sheep inquiry was used in the North and South Atlantic Regions (excluding Pennsylvania and West Virginia) and the South Central Region (excluding Texas) January 1, 1965 and again June 1, 1965. The survey was developed to be used in States where insufficient returns on sheep were received from the June and December Rural Carrier Survey.

The questionnaire was designed to obtain all the sheep and wool information needed in connection with the estimates on inventories, disposition, and wool production. The sheep survey made as of January 1 eliminated an adjustment from December 1 to January 1.

The special January 1 sheep inquiry was used in all States on January 1, 1966. The elimination of these questions from other livestock survey questionnaires will provide space for adding disposition item for cattle and hogs to the December inquiries. By doing this, the January 1 disposition inquiry will be eliminated in all States after January 1, 1966.
15. Consolidation of Wool and Mohair Reports: The change in the marketing year for wool and mohair to a calendar year basis permitted the consolidation of three reports on production and value of wool and mohair and average prices by months. This consolidated report provides users of wool and mohair data all pertinent statistics in one release and also reduces the work involved in mailing out the releases.
16. Colorado Price Enumeration Project: The Price Enumeration Project, trans-

ferred from Ohio to Colorado in 1964, was conducted on a monthly basis in fiscal 1965.

In March 1965, the original sample was expanded from 42 to 70 sample towns. From these sample towns a new sample of establishments was selected. This provided better coverage for both prices received and prices paid items.

The development of a summarization and analysis electronic data processing program was started in April 1965 and became operational with the June 1965 survey. The program computes an average and standard error for a maximum of three prices for an item. An analysis of variance table is computed using a nested classification design with an unequal number of observations in all, some, or none of the nests.

The increased size of the sample and the electronic data processing program is providing some of the essential data for accomplishing the original objectives of the project which are: (1) to obtain unbiased estimates of average prices received and paid by farmers, (2) to identify components of price variability, (3) to compute variances, and (4) to examine the applicability of automated data processing techniques.

17. Cotton Estimating Program Improved: Duplication involved in the analytical and computational procedures used in the cotton estimating program were eliminated. Procedures involved (1) combining computational and analytical forms and consolidation of other forms; and (2) establishing a division of labor among Board members of specific phases of the analysis. The new procedures resulted in marked savings in time required for processing reports without sacrificing security or accuracy. Continued study was made of the relationship between early season boll and square counts and yield per acre.

During 1964, the objective yield work in New Mexico, Arizona and California continued on a pilot basis, and boll count data have been used primarily for developing estimating models. During 1964 improved models were developed and counts on additional fields are being made in 1965.

18. Expansion and Decentralization of Cut-Flower Survey: Following the appropriation by Congress of an additional \$50,000 for expanding coverage of the cut-flower survey the following States were brought into the program in 1965: Massachusetts, New Jersey, North Carolina, Pennsylvania, Ohio, and Indiana. These States, together with California, Colorado, Illinois, New York, and Florida which were already in the program resulted in an 11-State survey which accounts for approximately 77 percent of the United States total for production of those cut-flowers in the survey (carnations, roses, standard chrysanthemums, pompon chrysanthemums, and gladioli).

The cut-flower survey was decentralized to the 11 States concerned for list maintenance, for surveying the growers, and for punching data on cards. Data were transmitted to Washington for editing, summarizing, expanding, and publication. The automatic data processing program for the cut-flower survey was modified so as to accommodate a two digit code for commodities and a two digit code for States. This change will permit future expansion to as many as 99 commodities and all 50 States without additional modification of the program.

19. Classification of Weekly Cattle Slaughter under Federal Inspection: The Meat Inspection Division, Consumer and Marketing Service started collecting data on a daily basis as of December 28, 1964 on the sex classification of cattle slaughtered under Federal inspection. The Meat Inspection Division tabulated the data on the basis of the week in which the report was received without regard to actual date of slaughter. Since reports by some inspectors were not reaching the Chicago office of Meat Inspection Division until the following calendar week or later, arrangements were made for Statistical Reporting Service to tabulate the data on classes of cattle slaughter according to date of kill. A separate release was issued on April 15 showing the weekly percentages for the first 14 weeks of 1965. Since that time, the preliminary classification percentages have been published weekly by Market News Branch, Consumer and Marketing Service. The final percentages for the previous month are published in the monthly commercial slaughter reports as issued by Statistical Reporting Service. There is some difference in the level of the monthly and weekly series and since no historic data are available on a weekly basis, the monthly series is also being continued during calendar year 1965.
20. Discontinuance of "Old" Parity Index Computation: As of March 1965, the computation of the Old Parity Index (the unrevised Index as calculated prior to January 1, 1950) was discontinued. Under the provisions of the 1956 Amendment to the Agricultural Adjustment Act, computation of parity prices for basic and nonbasic commodities was to be made using both the "modernized" parity index and the parity index in use prior to the effective date of the Agricultural Act of 1948 (January 1, 1950). Parity prices computed using the latter index were to be adjusted downward 5 percentage points per year, and were called "transitional" parity prices. "Effective" parity prices were the higher of the two computed on the "modernized" or "transitional" basis. All basic commodities completed transition to the modernized basis in January 1960, and nonbasic commodities in January 1965.

Elimination of the requirement for the computation of the Old Parity Index permitted dropping 28 items from survey questionnaires. This saves approximately 120 hours per year in Washington and State office personnel time.
21. Hop Extract Data Collected: In order to adequately account for the disappearance of hops it was necessary to determine the quantities converted to extract as well as know the quantities used by breweries, exported, or still on hand. The March 1965 brewers questionnaire was modified to obtain data on extract. Data from the extract companies were obtained by personal contact.
22. Adjustment of 1964 Census of Agriculture Livestock and Poultry Data: Plans were developed for utilizing the 1964 Census of Agriculture data for reviewing and revising the livestock and poultry inventory estimates. In this connection Statistical Reporting Service worked with the Census Bureau in drawing a sample of farms for a January 1, 1965 survey designed to measure changes in the number of livestock and poultry on hand from date of Census enumeration to January 1. The actual drawing of the sample and mailing of the January questionnaire was carried on by the Census Bureau under Statistical Reporting Service supervision. The Census sample and January 1 survey data were then summarized by Statistical Reporting Service.

23. Manufactured Dairy Products--Italian Cheese Types: A special survey to determine Italian cheese production by the various hard and soft types was made and the results published in the 1964 bulletin, "Production of Manufactured Dairy Products". Similar surveys were made in 1957 and 1961, showing both hard and soft types by major classifications. Such data are requested by the trade and Foreign Agricultural Service for use in appraising import quotas and trends in consumption for various competitive types. Numerous requests have been received from the industry to publish these data more frequently.
24. Discontinuing Monthly Price Estimates for Less Important Commodities In Some States: In line with the policy of reducing the reporting burden of respondents, monthly price estimates for minor commodities in certain States were reviewed to determine if any of these estimates could be discontinued. This review resulted in discontinuing monthly estimates for 2 States on dry field peas, 4 States each on cottonseed, timothy seed, and lespedeza seed, 5 States on sweetclover seed, 7 States on red clover seed, and 8 States on alfalfa seed. There were 50 monthly State price estimates discontinued. Season average prices will be estimated in place of these monthly price estimates.
25. Changes in Estimating Chicken Numbers: During this past year inventory questions on chickens were standardized on all questionnaires. The use of uniform questions has proved beneficial and is expected to contribute to better estimating methods as more background data become available. Uniform questions made possible the combination of indications from several surveys into a single summary and permitted greater efficiencies in tabulation and the separation and weighting of indications by size of flock.
26. Fertilizer Statistical Activity Added: The fertilizer statistical program was transferred from the Agricultural Research Service to the Statistical Reporting Service effective November 1, 1965 pursuant to Secretary's Memorandum No. 1591 of that date. The organizational unit responsible for this work is currently located at Beltsville, Maryland where it operated under Agricultural Research Service. However, it will be moved to the South Agriculture Building when the required space is made available.

1966

CROP REPORTING BOARD
REPORTS

1966

RELEASE HOURS: Cattle Production - 11:00 A. M. All Livestock Reports Except Commercial Slaughter - 12:00 Noon
 Cold Storage Reports - 2:00 P. M. Meatpacking Production - 1:00 P. M.
 All Other Livestock Reports - 1:00 P. M.

--LOCK-UP REPORTS

DAY	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	DAY
1	Saturday			Regional Cold Storage Holidays	Sunday		Fruits, Non-Citrus-Prod., Use & Value, Part 1c	Tree Nuts-Prod., Use & Value	Rice Stocks				1
2	Sunday			Saturday	Fruits, Non-Citrus-Prod., Use & Value, Part 1c		Saturday		Poultry Slaughter & Processing	Sunday		Applies by Varieties	2
3				Sunday	Poultry Slaughter & Processing	Poultry Slaughter & Processing	Sunday	Field Seed Stocks	Saturday	Citrus Fruits-Prod., Use & Value; Poultry Slaughter & Processing		Saturday	3
4	Celery Report; Poultry Slaughter & Processing	Celery Report; Poultry Slaughter & Processing	Celery Report; Chicken & Eggs-Layers, Subtotal Layers; Rate of Lay & Egg Prod.; Poultry Slaughter & Processing	Celery Report; Turkeys-Prod., Disposition & Gross Income	Field & Seed Crops-Prod., Disposition & Gross Income; Celery Report	Saturday	Holiday	Celery Report	Sunday	Celery Report	Celery Report; Poultry Slaughter & Processing	Sunday	4
5		Saturday	Saturday	Poultry Slaughter & Processing		Sunday	Celery Report; Poultry Slaughter & Processing	Poultry Slaughter & Processing	Holiday				5
6		Sunday	Sunday			Celery Report		Saturday	Celery Report	Honey Production & Stocks	Sunday	Celery Report; Poultry Slaughter & Processing	6
7	Veg.-Fresh Market		Corn, Millers-Inn-Prod. & Weekly Fluctuations-1965		Saturday			Sunday		Veg.-Fresh Market			7
8	Saturday	Veg.-Fresh Market	Veg.-Fresh Market	Range & Livestock; Veg.-Fresh Market		Veg.-Fresh Market	Cotton Production; Veg.-Fresh Market	Cotton Production; Veg.-Fresh Market	Cotton Production; Change Fences & Red Fences; Veg.-Fresh Market; Potato Utilization		Cotton Production; Veg.-Fresh Market	Cotton Production; Range & Livestock	8
9	Sunday	Range & Livestock	Range & Livestock	Saturday	Cotton Production; Hides; Veg.-Fresh Market	Meat Sides & Other Products; Cattle & Calves on Feed	Saturday	Potato & Sweet Potato Disposition	Crop Production; Farm Labor; Veg.-Processing	Sunday	Range & Livestock; Cattle & Calves on Feed	Crop Production; Farm Labor; Range & Livestock	9
10	Crop Production; Farm Labor; Veg.-Processing	Crop Production; Farm Labor; Cattle & Calves on Feed	Crop Production; Farm Labor; Cattle & Calves on Feed	Sunday	Crop Production; Farm Labor; Veg.-Processing	Crop Production; Farm Labor; Veg.-Processing	Sunday	Crop Production; Farm Labor; Veg.-Processing	Saturday	Cotton Production; Range & Livestock	Crop Production; Farm Labor; Veg.-Processing	Saturday	10
11	Milk Production; Range & Livestock	Livestock & Poultry Inventory, Jan. 1; Potato Stocks; Milk Production	Cattle & Calves on Feed; Sheep & Lambs on Feed & Early Lamb Crop; Potato Stocks; Milk Production	Crop Production; Farm Labor; Veg.-Processing	Range & Livestock; Milk Production		Saturday	Crop Production; Farm Labor; Veg.-Processing	Sunday	Crop Production; Farm Labor; Veg.-Processing	Holiday	Sunday	11
12	Farm Markets	Saturday	Saturday	Milk Production	Cattle & Calves on Feed	Sunday	Milk Production	Cattle & Calves on Feed; Range & Livestock	Milk Production	Milk Production	Saturday	Cattle & Calves on Feed; Milk Production	12
13	Sheep & Lambs on Feed, Jan. 1; Hatchery Production	Sunday	Sunday	Pullet Chicks for Broiler Hatch; Supply Flocks		Range & Livestock; Milk Production	Range & Livestock; Broilers; Eggs (Fresh, Dry)	Saturday	Range & Livestock; Cattle & Calves on Feed	Mid-Clover Seed	Sunday	Cattle & Calves on Feed; Milk Production	13
14	Valley Crops for Broiler Hatch; Supply Flocks; Onion Stocks; Cold Storage	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Saturday	Cattle & Calves on Feed; Bush Berries Indicated Acreage; Cold Storage; Cold Storage-Prod. & Sales		Sunday	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Saturday	Valley Crops for Broiler Hatch; Supply Flocks; Cold Storage; Hatchery Production	Milk Production		14
15	Saturday	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Sunday	Cattle & Calves on Feed; Bush Berries Indicated Acreage; Cold Storage; Cold Storage-Prod. & Sales		Sunday	Pullet Chicks for Broiler Hatch; Supply Flocks; Cold Storage	Saturday	Valley Crops for Broiler Hatch; Supply Flocks; Cold Storage; Hatchery Production	Milk Production		15
16	Sunday	Hatchery Production	Hatchery Prod. (incl. Rev. by month)	Saturday	Cold Storage	Hatchery Production	Hatchery Production	Hatchery Production	Hatchery Production; Fluid Milk & Cream	Sunday	Hatchery Production; Cold Storage	Fluid Milk & Cream	16
17	Cattle & Calves on Feed (Including quarterly Rev.)	Fluid Milk & Cream	Fluid Milk & Cream; Turkeys & Chickens Tested	Sunday	Annual Naval Stores; Naval Production	Naval Stores; Fluid Milk & Cream; Turkeys & Chickens Tested	Sunday	Naval Stores; Fluid Milk & Cream; Turkeys & Chickens Tested	Saturday	Naval Stores; Fluid Milk & Cream; Turkeys & Chickens Tested	Sunday	Naval Stores; Fluid Milk & Cream; Turkeys & Chickens Tested	17
18	Naval Stores; Fluid Milk & Cream	Naval Stores; Turkeys & Chickens Tested	Naval Stores; Turkeys & Chickens Tested	Saturday	Naval Stores; Fluid Milk & Cream	Naval Stores; Fluid Milk & Cream	Saturday	Naval Stores; Fluid Milk & Cream	Sunday	Naval Stores; Fluid Milk & Cream	Sunday	Naval Stores; Fluid Milk & Cream	18
19	Turkeys & Chickens Tested	Saturday	Saturday	Sunday	Fluid Milk & Cream	Turkeys & Chickens Tested	Sunday	Turkeys & Chickens Tested	Saturday	Naval Stores; Fluid Milk & Cream	Sunday	Naval Stores; Fluid Milk & Cream	19
20		Sunday	Sunday	Saturday	Veg.-Processing; Milk Prod., Disposition & Income	Veg.-Processing		Saturday	Sunday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	20
21	Money Annual Summary	Calf Crop	Wool & Mohair-Prod. & Value	Saturday	Sour Cherry Report	Chickens-Numbers	Sunday	Pig Crop	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	21
22	Saturday	Holiday	Pig Crop	Sunday	Pig Crop	Calf Crop	Sunday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	22
23	Sunday	Lamb Crop 1965	Peanut Stocks & Processing	Saturday	Peanut Stocks & Processing	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	23
24	Peanut Stocks & Processing	Peanut Stocks & Processing	Shipments of Stocker & Feeder Cattle & Sheep	Sunday	Peanut Stocks & Processing	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	24
25	Shipments of Stocker & Feeder Cattle & Sheep	Shipments of Stocker & Feeder Cattle & Sheep	Shipments of Stocker & Feeder Cattle & Sheep	Sunday	Peanut Stocks & Processing	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	25
26	Shipments of Stocker & Feeder Cattle & Sheep	Shipments of Stocker & Feeder Cattle & Sheep	Shipments of Stocker & Feeder Cattle & Sheep	Sunday	Peanut Stocks & Processing	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	26
27	Turkeys Halted 1965 and Intentional 1966	Apr'l Prices	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Sunday	Apr'l Prices	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	27
28	Saturday	Apr'l Prices	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Sunday	Apr'l Prices	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	28
29	Sunday	Apr'l Prices	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Sunday	Apr'l Prices	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	29
30	Sunday	Apr'l Prices	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Sunday	Apr'l Prices	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	30
31	Apr'l Prices	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Livestock Slaughter & Meat Prod.; Egg Products; Dry Milk	Sunday	Apr'l Prices	Shipments of Stocker & Feeder Cattle & Sheep	Saturday	Wheat Pasture; Soybean Stocks in All Positions	Saturday	Alkaloids; Turkey Breeder Men Intentional	Saturday	Naval Stores; Turkeys & Chickens Tested	31

* Part I - Apples, Bush Berries, Meat and Bone Churns, Figs, Grapes, Raisins, Peaches, Pears, Persimmons, Plums, Pomegranates and Prunes.
 Part II - Apples, Apples, Cranberries, Dates and Olives.
 Oregon.

STATISTICAL RESEARCH AND SERVICE

Current Activities and Trends: The statistical and research endeavors under this activity play a significant role in the exercise of the agency's and the Department's responsibilities. The major portion of resources are directed to the research and development activities for the long-range improvement of the agency's crop and livestock estimates. Lesser resources are utilized for certain review, coordination, clearance and survey responsibilities for the Department.

One category of work includes the design and testing of improved methods or techniques applicable to the collection and analysis of crop and livestock data, including more effective adaptation and utilization of automatic data processing in the preparation of these estimates. Another category of work involves the discharge of the Department's responsibilities with respect to the review of all proposed statistical forms and survey plans requiring Budget Bureau clearance and the coordination of all inter- and intra-departmental programs for the improvement of agricultural and related statistics. Special surveys are also conducted under the activity, particularly with respect to opinions and attitudes relating to the marketing of farm products.

Selected Examples of Recent Progress:

1. Development of improved procedures for estimating crop yields: Objective yield surveys are currently conducted at an operational level in 23 States for corn, 9 States for wheat, and 14 States for cotton. Improvements in survey procedures and estimates for these States and crops were made during the year through added experience and more complete analysis (by the use of electronic data processing) of the survey data. Within the past year several computer programs have been designed and written to provide a general statistical analysis which will help determine basic relationships for use in developing new forecasting models and will also allow improvement in parameters for current models.

Weekly development counts for winter wheat in 1964 showed that growth patterns, which had been established previously, were consistent over years. Therefore, weekly wheat counts were discontinued in 1965.

The very high precision in estimates of harvest loss for wheat has permitted the sample size for post-harvest observations to be reduced.

Improvements in yield forecasts for cotton have occurred through refinement in forecasting parameters as well as the models which use these parameters. California was divided into two separate areas (the Imperial Valley and the San Joaquin Valley) for the cotton objective yield survey. These two areas plant different varieties of cotton and have different cultural practices. It is expected that this stratification will produce greater precision in the estimates with a much smaller sample than would be required for the two areas combined.

New forecasting models were developed for soybeans. These models are based on a greater number of re-defined maturity categories. These new models were used for the first time in August 1965, and although more testing will be necessary, the results were very satisfactory.

Procedures for forecasting sorghum yield based on early season plant counts and other measurable plant characteristics have now been developed and are ready for extensive field tests. Therefore, the basic research study (started in 1959) was discontinued at the end of the 1964 crop season.

2. Study of the possible use of aerial photography in making crop and livestock estimates: A preliminary feasibility study for using aerial photography to obtain inventories of crops and livestock was made in 1963.

Additional work was performed in 1964-65 under a cooperative agreement with the School of Forestry, University of California at Berkeley. Primary emphasis of this work was on developing keys for identifying livestock and to determine which film-filter-camera-time of day combinations would be most desirable.

Livestock identification keys were developed based upon animal characteristics observed in simulated aerial photographs taken from a water tower. These keys were tested on aerial photography at different locations within California and at different seasons of the year. Some modifications were made in the keys, as a result of these tests. They are now ready for more extensive testing to determine their adequacy for identifying and counting livestock under operational survey conditions, scheduled for late January, 1966.

3. Improvements in the June and December Enumerative Surveys: The addition of Delaware, Florida, Maryland, New Jersey, New York, Pennsylvania, and West Virginia increased the number of States with operational sample sizes from 32 to 39 for the June 1965 Survey. The inclusion of New Jersey, Delaware, Maryland, and West Virginia was possible due to the completion of the new area sampling frame for these States. Information obtained from 1964 pilot surveys, using the new area frame, in New York, Pennsylvania, and Florida, was used in drawing the 1965 June Survey segments for all 7 States. This information showed that additional controls (over that used in 1964) on size and number of farms per sampling unit in the extensively farmed land stratum would improve the efficiency of the frame. Results from the June 1965 Survey in these States showed substantial efficiencies in terms of sampling errors as well as data collection.

A large portion of the additional frame construction work for the 6 New England States was completed during the past year, particularly for the urban, business and industrial stratum where new land use maps and materials became available through county or State agencies.

4. A study of multiple frame sampling in Wyoming: A list of livestock owners was compiled in Wyoming by the Agricultural Research Service in cooperation with the Wyoming office of Statistical Reporting Service. The basic source of this list was the January 1963 county tax assessment records. A comparison of this list with resident farm operators enumerated in the 1964 June Enumerative Survey was made to estimate the population contained in the list in terms of farm operators as well as livestock numbers. From this comparison it was estimated that the list contained 83 percent of the resident farm operators and that these operators had 92 and 99 percent of the cattle and sheep inventories, respectively.

In order to evaluate this list for possible use as a sampling frame (singly or in combination with other frames) a sample was designed and selected for enumeration in May and June 1965.

Results of this study show that large gains in sampling efficiencies may be realized by using this list frame in combination with the area frame. Although estimates from the list frame only would be biased in terms of State totals due to deficiencies (duplication, incompleteness, etc.) in the frame, unbiased estimates may be made by combining estimates from the list frame with estimates from the area frame. Multiple frame estimates (combines all data from list sample with data from area sample) showed gains in precision of from 50 to 600 percent over estimates from the area sample only for livestock items included in the 1965 study.

5. Statistical Clearance and Consultation: This Service provides a focal point for statistical liaison both within the Department and between the Department and other statistical agencies of the Government. In serving as the designated liaison agent between the Bureau of the Budget and all agencies of the Department on Federal Reports Act clearance matters, 455 requests for clearance of forms and reporting requirements were handled during fiscal year 1965. The decline from the preceding year's total of 531 reflected the major emphasis by the Bureau of the Budget as well as in the Department on reduction of reporting burden on the public. Coordination of the Department's interests in the 1964 Census of Agriculture was one major activity during the year, relating principally to the review of tabulation plans, and of the final plans for the sample survey conducted in the fall of 1965.
6. Quality Discrimination: A sensory testing laboratory is used to conduct small-scale experiments to ascertain, under controlled conditions, people's ability to discriminate among qualities or levels of a quality for food samples, or other sensory or visual stimuli, and the preferences associated with discriminable variables. The products which have been evaluated include new food forms developed in the Agricultural Research Service laboratories or variations of products already available. One such product, an experimental dry whole milk developed by the Dairy Products Lab of Agricultural Research Service, was compared with fresh whole milk and two dry nonfat milk products currently on the market. Results of the experiment indicated that, under the controlled laboratory conditions, the experimental product was liked about as well as the fresh whole milk, and was preferred by a considerable margin over the dried nonfat products.
7. Dry Whole Milk: A contract has been signed with a local university research group to conduct a survey to evaluate consumer acceptance of the dry whole milk mentioned above. At this time, the product looks commercially feasible for distribution under refrigeration. However, the reaction of the housewife to the reconstitution behavior of the product and the residual foam on the surface of the milk are untested and unknown. An evaluation by a cross-section of consumers using the product in their homes is, therefore, believed to be desirable not only to mark the extent of present progress but also to indicate lines along which further developmental research on the product should proceed. Field work on this study was conducted during the fall of 1965.

8. Potatoes, rice and wheat: A contract has been signed with a private research firm to collect information from a nationwide sample of homemakers on their usage patterns for and opinions about selected potato, rice, and wheat products. Interviews will be conducted to ascertain household consumers' preferences and buying practices for these commodities, including specialty or highly processed convenience-type food products, and to identify the characteristics which consumers consider to be important in selecting such food products and to determine their satisfaction with items currently available. Field work for this study will be initiated in February, 1966.
9. Washington Data Processing Center: Late in fiscal year 1965, work began on preparation of the site in the Agriculture South Building for the computers and the Washington Data Processing Center. The site was completed in January 1966 and the Center has moved to the new location.

Plans were developed for the installation of new computers, their utilization, and the conversion of 1401 and 7074 programs to System 360. Training classes were held for the Center's personnel and for personnel in the various agencies planning to do part or all of their own systems and programming work.

At the time of the Computer evaluation study in January 1965, it was estimated that the then current workload would require 190 hours per month of the 360/40 equipment when it was installed. By the close of the fiscal year, various agencies had indicated additional computer work requirements for fiscal year 1966 indicating that the total workload on the 360/40 would substantially exceed 190 hours soon after its installation.

During FY 1965 efforts were continued to increase the Center's overall operating efficiency. This resulted in reduced costs to the extent permitting a 5% reduction in charges made to customer agencies, as compared with those made the previous year for similar work.

PASSENGER MOTOR VEHICLES

The 1967 Budget Estimates propose the replacement of four passenger motor vehicles. All passenger motor vehicles of the agency are located in the field at the various State Offices. These vehicles, as well as those obtained for use throughout the year from the General Services Administration, are used by professional statisticians, supervisory enumerators, and other field employees in conducting enumerative surveys and related work pertinent to the preparation of the crop and livestock estimates. The use of common carriers in this type of work is obviously not satisfactory in that it is frequently necessary to visit during a short period of time numerous farms and various commercial establishments within a specified geographical area.

The four sedans proposed for replacement during the 1967 are necessary to meet the transportation requirements inherent in carrying out the agency's program in the States of Alabama, Indiana, Louisiana, and South Dakota. The vehicles proposed to be replaced will have passed the minimum replacement standards of 6 years of age or 60,000 miles prescribed by the General Services Administration.

Age and mileage data for passenger motor vehicles on hand as of June 30, 1965 are indicated below:

Age Data			:	Mileage Data		
Age-Year Model	Number of Vehicles	Percent of Total	:	Lifetime Mileage (thousands)	Number of Vehicles	Percent of Total
1960	1	5	:	Over 100	1	5
1961	3	14	:	80 - 100	2	9
			:	60 - 80	2	9
1962	2	9	:	40 - 60	5	23
			:			
1963	7	31	:	20 - 40	6	27
1964	3	14	:	Under 20	6	27
1965	6	27	:			
			:	TOTAL	22	100
TOTAL	22	100	:			

CONSUMER AND MARKETING SERVICE

Purpose Statement

The Consumer and Marketing Service was established February 8, 1965 pursuant to Reorganization Plan No. 2 of 1953, under terms of the Reorganization Act of 1949, as amended (5 U.S.C. 1332). The Service provides consumer protection through mandatory meat and poultry inspection for wholesomeness and aids in improving the diet of consumers through the School Lunch, Special Milk, and Food Stamp programs and through direct distribution of commodities acquired under Section 32 and CCC. Through its marketing and regulatory programs it aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms.

The Consumer and Marketing Service carries on the following principal programs:

1. Consumer Protective, Marketing, and Regulatory Programs. These activities contribute to consumer protection and to the efficient and orderly marketing of agricultural commodities and include:
 - a. Market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products;
 - b. Meat inspection to assure that all meat and meat products moving in interstate and foreign commerce are wholesome;
 - c. Poultry inspection to assure that all poultry meat and poultry meat products moving in interstate and foreign commerce are wholesome;
 - d. Other inspection, grading, classing, and standardization services to develop standards of quality and condition for agricultural commodities and to use them in providing an impartial inspection, classing, and grading service; and
 - e. Regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices, and providing assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products.
2. Payments to States. The Service administers the matched fund program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.
3. Special Milk Program. Assistance is provided to States for making reimbursement payments to eligible schools and child-care institutions which inaugurate or expand milk service in order to increase the consumption of fluid milk by children.
4. School Lunch Program. Federal assistance is provided to States, Puerto Rico, Virgin Islands, American Samoa and Guam for use in serving nutritious lunches to children attending schools of high school grades or

under in order to improve the health and well-being of the Nation's children, and broaden the market for agricultural food commodities.

5. Removal of Surplus Agricultural Commodities and Marketing Agreements and Orders. These activities directly or indirectly contribute to stabilizing prices received by farmers and establishing and maintaining orderly marketing conditions through -
 - a. Removing from the market surplus agricultural commodities through purchase and donation to eligible recipients, export and diversion payments; distribution of Commodity Credit Corporation donated commodities to eligible domestic outlets authorized under Section 416 of the Agricultural Act of 1949; and cooperation with the food industry and others to encourage greater consumption of abundant foods;
 - b. Formulation and administration of marketing agreements and orders.
6. Food Stamp Program. This program is authorized by the Food Stamp Act of 1964 (P.L. 88-525, approved August 31, 1964). In cooperation with the States, additional food purchasing power is provided to improve diets of low-income families and expand markets for food commodities through the issuance of coupons redeemable for food purchases in retail stores.
7. Food Management Preparedness. Pursuant to Executive Order 10998 delegating certain defense responsibilities to the Department, the Consumer and Marketing Service is assigned pre-emergency preparedness and emergency operations relating to management of food supplies and their postattack distribution. This involves developing stand-by plans and programs for the management of the Nation's food supply from the farm through wholesale channels, including coordination with other agencies assigned separate but closely related functions as well as with State and local governments. To the extent possible this work is integrated with other day-to-day operations through the part-time efforts of employees regularly assigned to the agency programs. These efforts are coordinated by a few full-time personnel. Part of this full-time staff is financed by reimbursements from the Office of Emergency Planning.
8. Work Performed for Others. The Consumer and Marketing Service also performs other services for Federal, State and private agencies, on a reimbursable or advance payment basis. These include, among others, the Agency for International Development sponsored foreign visitor training program.

A large part of the program of the Consumer and Marketing Service is carried on through field branch offices of the several Washington commodity and functional divisions in the various States, Puerto Rico, and Canada and through individual specialists assigned to specific plants and locations.

In the Consumer and Marketing Service, including the offices of the Milk Market Administrators, over ninety percent of the full-time employees and most of the part-time and intermittent employees are located in the field. A substantial portion of this employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangement with States and private cooperators.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Consumer & Marketing Service:						
Consumer Protective, Marketing, & Regulatory Programs	\$73,752,102	7,499	\$80,054,000	8,094	\$86,265,000	8,697
Payments to States and Possessions	1,500,000	- -	1,750,000	- -	1,750,000	- -
Special milk program ...	51,500,000)	63	103,000,000	68	21,000,000	68
Transfer from Section 32:	51,500,000)		- -	- -	- -	- -
School lunch program ...	146,400,000)	146	157,000,000)	170	138,000,000)	170
Transfer from Section 32:	45,000,000)		45,000,000)		45,000,000)	
Food stamp program	25,000,000)	138	99,992,000	354	- -)	600
Transfer from Section 32:	35,000,000)		- -	- -	150,000,000)	
Total	429,652,102	7,846	486,796,000	8,686	442,015,000	9,535
Obligations under other USDA appropriations:						
Agricultural Stabilization and Conservation Service:						
For operation of commodity teletype and data on wheat exports by classes	41,059	6	34,330	4	34,330	4
Agricultural Research Service--for inspection of imported meats and collection of blood samples for brucellosis eradication program, cotton and cordage fiber: and spinning tests, and miscellaneous services	363,552	19	637,293	65	637,293	65
Statistical Reporting Service--for beef, steer: and heifer data	49,660	8	49,660	8	49,660	8
Commodity Credit Corporation:						
For classing cotton and grading tobacco for producers	700,000	73	1,765,400	187	1,765,400	187
For classing CCC-owned cotton	35,979	4	64,500	7	64,500	7
For warehouse examination functions	2,507,433	198	2,642,500	205	2,711,000	205

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Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Foreign Agricultural Service--cotton fiber and spinning tests	4,000:	- -	- -	- -	- -	- -
Miscellaneous reimbursements	13,522:	1:	25,491	2:	25,491:	2
Total, other USDA Appropriations	3,715,205:	309:	5,219,174	478:	5,287,674:	478
Total, Agricultural Appropriation Bill	433,367,307:	8,155:	492,015,174	9,164:	447,302,674:	10,013
Permanent appropriations:						
Removal of surplus agricultural commodities ...	378,907,331:	453:	405,549,361	500:	445,000,000:	500
Deduct transfers	-147,739,951:	- -	-73,227,569	- -	-229,117,000:	- -
Net	231,167,380:	453:	332,321,792	500:	215,883,000:	500
Perishable Agricultural Commodities Act Fund ...	910,700:	96:	927,000	102:	927,000:	102
Total, Permanent Appropriations	232,078,080:	549:	333,248,792	602:	216,810,000:	602
Other funds:						
Office of Emergency Planning--food management preparedness	74,334:	5:	78,200	5:	78,800:	6
Overtime from:						
Packers and processors for meat inspection ...	8,003,548:	58:	8,400,000	66:	8,400,000:	66
Processors for poultry inspection	2,369,228:	60:	2,605,000	58:	2,605,000:	58
Growers, exporters, and warehousemen for appeals: inspection on grain ...	103,219:	- -	75,000	- -	75,000:	- -
Other agencies for meat inspection	126,431:	6:	17,000	2:	17,000:	2
Tobacco inspection at other than designated auction markets for growers, dealers and cooperatives	411,114:	38:	400,000	36:	400,000:	36
Market news receipts from States	214,432:	18:	216,980	21:	216,980:	21
Department of Justice--cotton classing for Federal Penitentiary	12,527:	1:	14,800	2:	14,800:	2

(Continued on next page)

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Agency for International Development:						
Training of foreign participants	12,877:	1:	15,650 :	2:	15,750:	2
Technical consultation .	3,553:	- - :	3,900 :	- - :	3,950:	- -
Special projects	46,846:	2:	60,116 :	3:	68,900:	3
Total, Agency for International Development .	63,276:	3:	79,666 :	5:	88,600:	5
Reimbursement for poultry grading	35,335:	4:	36,600 :	4:	36,600:	4
Inspection and grading of farm products for producers, dealers, shippers, processors, cooperatives, institutions, and State, municipal and Federal agencies	27,096,409:	2,818:	27,823,000 :	2,791:	28,533,000:	2,845
Miscellaneous reimbursements	8,781:	- - :	8,300 :	- - :	8,300:	- -
Total, Other Funds	38,518,634:	3,011:	39,754,546 :	2,990:	40,474,080:	3,045
Total, Consumer and Marketing Service	703,964,021:	11,715:	865,018,512 :	12,756:	704,586,754:	13,660



(a) Consumer Protective, Marketing, and Regulatory Programs

Appropriation Act, 1966	\$76,192,000
Supplemental appropriation, 1966, for meat inspection	2,000,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental	-43,000
Proposed supplemental, 1966, for increased pay costs	1,905,000
Base for 1967	<u>80,054,000</u>
Budget Estimate, 1967	<u>86,265,000</u>
Increase	<u>+6,211,000</u>

Note. The above tabulation and the project statement and justification below relate to the direct appropriation for Consumer Protective, Marketing and Regulatory programs. In addition, the Service receives an allotment from CCC funds for examination of non-federally licensed warehouses which store CCC inventories. Further information on the funds for these activities is shown on the project statement immediately following this justification.

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease		1967 Estimate
		Pay Costs	Other	
Meat inspection	\$38,330,700	+\$261,900	+\$3,347,000	\$41,939,600
Poultry inspection	17,882,300	+104,500	+1,344,000	19,330,800
Micronaire readings for cotton classing under the Smith- Doxey Act	- -	- -	+613,000	613,000
U.S. participation in inter- national standards development Administration of Packers and Stockyards Act	- -	- -	+51,000	51,000
Warehouse examinations under the U.S. Warehouse Act	2,383,000	+16,100	+204,000	2,603,100
All other	1,315,000	+8,200	+82,000	1,405,200
Total	<u>20,143,000</u>	<u>+179,300</u>	<u>- -</u>	<u>20,322,300</u>
	<u>80,054,000</u>	<u>+570,000</u>	<u>+5,641,000</u>	<u>86,265,000</u>

PROJECT STATEMENT

Project	1965	1966 (Estimated)	Increases & Decreases:		1967 (Estimated)
			Increased:	Other	
			Pay Cost:		
			(P.L. 89-301)		
1. Market news service:					
a. Cotton and cottonseed:	\$614,676:	\$632,600:	+\$4,200:	- -	\$636,800
b. Dairy and poultry products	993,165:	1,129,200:	+5,500:	- -	1,134,700
c. Fruits and vegetables:	1,679,342:	1,753,900:	+9,700:	- -	1,763,600
d. Grain, hay, feed, etc.:	473,552:	491,900:	+2,400:	- -	494,300
e. Leased wire service:	511,421:	668,800:	+1,600:	- -	670,400
f. Livestock, meats, and wool	1,552,321:	1,678,100:	+11,400:	- -	1,689,500
g. Naval stores	21,858:	26,000:	+200:	- -	26,200
h. Tobacco	256,028:	264,900:	+1,700:	- -	266,600
Total, Market news service	<u>6,102,363:</u>	<u>6,645,400:</u>	<u>+36,700:</u>	<u>- -</u>	<u>6,682,100</u>

(Continued on next page)

Project	1965	1966 (Estimated)	Increases & Decreases		1967 (Estimated)
			Increased: Pay Cost (P.L. 89-301)	Other	
<u>2. Inspection, grading, classing, and standardization:</u>					
A. Meat inspection	32,909,705	38,330,700	+261,900	+3,347,000(1)	41,939,600
B. Poultry products inspection	16,258,497	17,882,300	+104,500	+1,344,000(2)	19,330,800
C. Other:					
a. Cotton and cottonseed	5,152,854	4,637,800	+65,200	+613,000(3)	5,316,000
b. Dairy products	108,675	105,900	+800	+10,200(4)	116,900
c. Fruits and vegetables	986,195	944,600	+7,000	+20,400(4)	972,000
d. Grain (U.S. Grain Standards Act)	2,682,835	2,802,700	+19,000	- -	2,821,700
e. Livestock, meats, and wool	452,147	430,900	+3,200	+10,200(4)	444,300
f. Naval stores	43,729	39,300	+300	- -	39,600
g. Poultry products grading	317,564	318,400	+3,300	+10,200(4)	331,900
h. Rice, hay, beans, etc.	98,386	98,700	+600	- -	99,300
i. Tobacco	3,452,311	3,324,200	+37,500	- -	3,361,700
Total other	13,294,696	12,702,500	+136,900	+664,000	13,503,400
Total, Inspection, grading, classing, and standardization	62,462,898	68,915,500	+503,300	+5,355,000	74,773,800
<u>3. Regulatory activities:</u>					
a. Federal Seed Act	427,316	406,700	+2,900	- -	409,600
b. Naval stores and tobacco export permits ..	23,013	24,500	+200	- -	24,700
c. Packers and Stockyards Act	2,339,242	2,383,000	+16,100	+204,000(5)	2,603,100
d. Standard Container Acts	14,152	16,100	+100	- -	16,200
e. Warehouse Act	1,189,981	1,315,000	+8,200	+82,000(6)	1,405,200
f. Transportation services	199,630	229,700	+1,700	- -	231,400
g. Export Fruit Acts ...	18,498	24,200	+200	- -	24,400
Total, Regulatory Activities	4,211,832	4,399,200	+29,400	+286,000	4,714,600
<u>4. Administration and coordination of State payments</u>	85,933	93,900	+600	- -	94,500
Unobligated balance	889,076	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)	(- -)	(1,905,000)	(+570,000)	(+136,000)	(2,611,000)
Total, available or estimate	73,752,102	80,054,000	+570,000	+5,641,000	86,265,000

INCREASES

- 1) An increase of \$3,347,000 for meat inspection activities.

Need for Increase: The requested increase is needed (1) to supply the expanding demand for inspection; (2) to place on a full-year basis the supplemental appropriation provided for a portion of 1966; and (3) to meet the cost of mandatory periodic salary increases.

Additional plants and expanded facilities require inspection. Based on applications for inspection and plans of proposed buildings and facilities requiring inspection submitted for USDA approval, it is estimated that there will be an increase of 102 new meat packing establishments under Federal inspection in 1967. Additional funds are also required to cover expansion of workload not connected with the entry into the service of new plants. This expansion has come about as a result of changes within the industry. For example, the increasing practice on the part of packers to cut up, process, package, freeze, and store meat in the packing plant, has resulted in a heavier workload in inspecting and analyzing processed meat products. Another change is increased operations within meat packing plants. Once in the program, plants tend to increase their output through expansion and more efficient utilization of their facilities. More inspectors need to be stationed in these plants to provide adequate inspection service.

Also, there has been the movement of meat packing establishments out of consuming areas into production areas. This makes for less efficient utilization of inspection personnel as the economies of large scale operations are lost.

Staffing for the new plants and for establishments presently under inspection has been determined by application of the work measurement system applicable to this program. Based on current trends, it has been determined how many new plants of different sizes will be entering the program in 1967 and the staffing required for each. Work measurement has also been used to estimate the additional staff that will be required for plants presently under inspection.

Wholesome meat supply must be ensured. An attempt to absorb this increasing workload within available funds would mean providing inadequate service since the present staff would have to serve a larger number of plants and volume of production. This would weaken the service and make it more vulnerable to the intrusion of illicit and fraudulent traffic in unwholesome meat. The service must be operated at adequate strength to ensure the public a safe and wholesome meat supply and protect consumers from adulterated, diseased, or unfit meat.

Supplemental appropriation for 1966. A supplemental appropriation was provided to finance expanded meat inspection service for a part of 1966. Funds are included in the 1967 estimate to continue inspection in these plants for a full-year.

Mandatory periodic pay increase funds needed. Additional funds are also needed to finance mandatory periodic in-grade salary increases. The law requires that employees whose work is satisfactory receive periodic increases in salary. In an expanding program, such as the meat inspection program, the number of new employees receiving periodic increases each year tends to be considerably greater than the number that leave the service. Consequently, the cost of the salary increases is greater than the savings resulting from the salaries of vacated positions reverting back to the first step of the grade. Funds must be provided for these additional costs to avoid absorption of such costs by reduction in the inspection force through the attrition process.

Plan of Work. Inspectors would be added to provide inspection service to new plants, and to plants presently under inspection whose volume of operations has expanded since they entered the program. Other necessary supporting staff including professional and clerical employees would be added to perform analysis of samples and to handle records, and other required administrative functions.

The increase provides for 186 new positions and 330 additional man-years. Of the total man-years, 144 are required to continue for a full-year the positions provided for in the 1966 supplemental, as follows:

	<u>Positions</u>	<u>Man-Years</u>	<u>Funds</u>
To supply the expanding demand for meat inspection:			
At 102 new plants	108	108	\$890,000
At existing plants	78	78	825,000
To place the 1966 supplemental on a full-year basis	- -	144	1,132,000
To finance mandatory periodic step increases.	- -	- -	500,000
Total	<u>186</u>	<u>330</u>	<u>3,347,000</u>

(2) An increase of \$1,344,000 for poultry inspection.

Need for Increase: The inspection workload in fiscal year 1967 is based on anticipated volume level of 13.2 billion pounds of live poultry to be processed in official plants compared with 12.5 billion pounds in 1966. This level of output will require 2,069 man-years, an increase of 106, in order to respond to the mandatory demands for service and to continue adequate inspection procedures.

Poultry production in fiscal year 1966 has expanded dramatically and at a higher rate than in any recent year. The increased output has been in response to favorable producer prices prevailing as a result of favorable supply-demand conditions for red meats. Commercial broiler production during the period July-December, 1965 has averaged 11 percent above that period in the previous year. Similarly the quantity of poultry inspected in official plants has averaged 10.5 percent above a year earlier whereas original estimates for the 1966 budget for poultry inspection were based on anticipated increases of 5.6 percent.

The increased inspection workload in 1966 represents about 40 man-years above original estimates. This will be met through efforts to increase productivity per inspector from 6.0 to 6.4 million pounds and by reducing expenditures for other objects on a non-recurring basis. It is unlikely that inspection productivity per man-year in 1967 can be increased significantly beyond the exceptionally high level which will be established in 1966, although every effort to do so will be made.

Plan of Work: In order to inspect an estimated increase of 730 million pounds of poultry in 1967, these funds would be used to employ additional inspectors and supporting help equivalent to 106 man-years.

Estimated workload in 1966 and 1967, along with actual workload in earlier years, follows:

Poultry Inspection Workload
1963-1967

Item	: 1963	: 1964	: 1965	: 1966 (Est.)	: 1967 (Est.)	: Increase 1967 over 1966 (Est.)
Million pounds inspected (live weight)	9,936	10,741	11,310	12,500	13,250	+750
Man-years required	1,847	1,831	1,872	1,963	2,069	+106
Million pounds inspected per man-year:	5.4	5.9	6.0	6.4	6.4	- -
Number of operating lines under inspection as of June 30	1,287	1,284	1,326	1,394	1,428	+34
Number of approved plants as of June 30 <u>a/</u>	966	972	994	999	1,004	+5
Million pounds condemned:						
Live weight	18	14	13	NA	NA	NA
Dressed weight	159	189	196	NA	NA	NA
Million pounds certified (R.T.C.) ..	6,004	6,435	6,656	7,200	7,600	+400
Chemical compounds reviewed	767	1,182	1,598	2,000	2,500	+500
Chemical tests made	1,696	2,294	32,047	35,000	35,000	- -
Specimens examined	496	510	10,018	12,050	15,075	+3,025
Proposed labels examined	13,921	13,645	13,501	14,000	15,000	+1,000

a/ Plants with both slaughter and processing operations are double-counted, once as slaughter plants and once as processing plants. For the period 1963-67, there were about 100 such plants.

(3) An increase of \$613,000 for Cotton Micronaire Reading Service.

Need for Increase: Micronaire readings are a measurement of the fineness and maturity of cotton fibers. Fineness and maturity affect spinning performance and the quality of yarn produced. By controlling input of material through the use of micronaire readings, mills are able to produce yarns of the desired grade consistently. They can insure uniform yarn finishing properties and increase the efficiency of equipment operation by supplying a more consistent mix of cotton from day to day. Micronaire readings are recognized throughout the industry as an important quality factor in merchandising and processing cotton. Most commercial transactions in cotton now include a specification for micronaire readings.

As published in the Federal Register on May 29, 1965, the Department has amended the U. S. Cotton Standards, effective June 1, 1966 to provide for micronaire readings of fiber fineness and maturity as a part of classing. The change was made in response to requests from farmers and others. Beginning with the 1966 crop, farmers will receive micronaire readings on cotton submitted under the Smith-Doxey program in addition to the traditional grade and staple determinations.

Plan of Work: The increase would be used to enlarge the Smith-Doxey classing by the inclusion of a micronaire reading in accordance with the amended regulations and standards. The estimate is based on testing 12 million samples at a cost of about 5 cents per sample.

(4) An increase of \$51,000 for development of international standards for food.

Need for Increase: International trading in food and agricultural commodities is at an all time high. The United States has a vital interest in maintaining and expanding its participation in this trade, both from the standpoint of maintaining a healthy economy and dealing with the balance-of-payments problem. The increasing stake

of the U. S. in international trade is indicated by the fact that during 1964 agricultural exports from this country reached a record value of \$6.3 billion. Roughly 75 percent of this total represented sales for dollars. These 1964 exports were 31% higher than the \$4.8 billion shipped abroad during 1960.

Technological Developments and Changing Economic Conditions in Food Industry. New developments in food technology and transportation and changing economic conditions are largely responsible for the increase in world trade in food and agricultural commodities. Local terminology and trade and production practices differ vastly from country to country. Consequently, there is an urgent need to develop an international system of standards for these commodities to describe acceptable levels of sanitation, quality, and other factors important in international trade. These standards would constitute an international vocabulary for describing products by buyers and sellers who may be great distances apart geographically.

In certain parts of the world, several groups are working on standards that would apply to trading in a given group of countries. For example, the European Economic Community, the Organization for Economic Cooperation and Development, the International Standards Organization, and other international bodies are working separately to define standards that would be acceptable to their member countries.

It is evident that, either with or without U. S. participation, standards for international trade will become a reality for many agricultural products even though some of them may be recognized and used in only a limited number of countries. Therefore, with various organizations currently engaged in developing standards for agricultural commodities, the several widely different standards thus developed may restrict rather than facilitate world trade. For example, the European Economic Community countries have proposed standards for certain agricultural commodities that would definitely establish trade barriers and place the United States at a serious competitive disadvantage in trading with these member countries.

International Organizations Coordinate Work on Standards. The Food and Agriculture Organization and the World Health Organization have attempted to coordinate the work of the various organizations currently working on food standards and to evolve international standards that can be used throughout the world to facilitate international trade. To accomplish this objective, the Codex Alimentarius Commission was established at the Food Standards Conference in 1962 at which 44 countries and 24 international organizations were represented. The United States played a major leadership role in the creation of this organization and is committed to taking an active part in carrying out its work. The United States has had more experience in developing standards for agricultural commodities than any other country and also has the incentive of

developing meaningful and useful standards which will contribute to further expansion of U. S. trade in the world market. The Commission has established technical committees on various commodities and the United States has been participating in the work of the committees to the extent possible within available funds.

Plan of Work: The additional funds would be used for providing fuller United States participation in the meetings of the committees of the Codex Alimentarius Commission and for working toward the development of international standards which will not only represent the interests of American agriculture but facilitate world trade. USDA commodity specialists would be made available to devote the time required to this problem and would take a more active part in the meetings held in foreign countries and in the United States.

(5) An increase of \$204,000 for administration of the Packers and Stockyards Act.

Need for Increase: The purpose of the Packers and Stockyards Act is to suppress monopoly, fraud, or restraint on trade in order to keep the livestock and poultry marketing system both free and competitive. The tools are chiefly persuasion and, when necessary, suspension or cease-and-desist orders. This activity is designed to maintain fair and competitive conditions for the marketing of \$11.5 billion worth of livestock and \$1.5 billion of live poultry, representing approximately one-third of the cash income of U. S. farmers--and \$20 billion worth of meat and dressed poultry annually, which is about one-third of the consumers' expenditures for food in the U. S.

The increase requested is needed to carry out the following specific program goals:

1. Accelerate and extend investigations into meatpacker-food chain relationships with particular emphasis on areas affecting marketing or price control, territorial divisions, discriminatory pricing, and other potential restrictions of competition and monopolistic practices; increase the attention given to meat procurement practices of the national food chains and the merchandising practices of national and regional packers, with particular emphasis on promotional programs which may result in restriction of competition.
2. Increase investigations of public livestock markets to provide for the examination and appraisal of competition at about 440 of the 2,200 public markets. One of the principal problems confronting the livestock producer in the sale of his livestock is maintaining active effective competition. Restrictions on competition are extremely difficult to pin-point. Detection and elimination of such practices is the goal of the Department. If prices received by farmers are to be based on effective competition, continuity and thoroughness of review are needed.

The appraisal of market competition and prevention of collusion between buyers are important parts of this review, as are the effect on competition of particular agreements and arrangements, apportioning of supplies or territories, boycotting, controlling markets, or price fixing, particularly under the rapidly changing market structure for livestock as it exists today.

3. Expand investigations of practices in the poultry industry relating to competition and market control, fraud, false accounting and other unfair practices.
4. Extend the scale-testing program to include scales used in the purchase of poultry and of livestock on a dressed yield basis and to extend the checkweighing program to reach 6% of the scales each year which are subject to the Act.

Free and competitive marketing conditions benefit buyers, sellers and consumers. Maintenance of free and competitive marketing conditions contributes greatly to the best interests of producers, consumers, and competing segments of the regulated industries. Thorough and continuing investigation and analysis of new industry relationships and marketing practices are essential to this goal. Emphasis will be on meat procurement practices of the national food chains and merchandising practices of national and regional packers, including promotional programs which restrain competition.

The ultimate objective is to provide producers and consumers with fair value for commodities sold or purchased and to maintain wholesome competitive conditions in the livestock, meat and poultry industries. The law is intended to protect livestock and poultry producers by enabling them to obtain more nearly the full true market value of their livestock and poultry. It also protects members of the marketing, processing and merchandising industries from unfair competitive practices and assures consumers of fair prices for meat, poultry and related products.

Plan of Work: Concerted attention will be given to the many new industry relationships and market practices that have developed in the area of food chain-meatpacker relationships. Prompt and thorough investigation and analysis of the market structure and conditions will be made to determine if the procurement and merchandising practices of these firms result in restriction of competition or otherwise adversely affect the free marketing of livestock and meats.

Emphasis on poultry practices. Particular emphasis will be given to investigations of conditions and practices in the poultry industry. Present efforts in this direction will be extended in scope and depth to determine if unfair practices exist involving fraud, false accounting, false weighing, and other devices which suppress prices received by producers.

Stepped-up investigations at public livestock markets. Investigation of competitive practices at public livestock markets will be stepped up to provide more frequent examination of market conditions and competition and to prevent collusion between buyers, arrangements to limit competition, boycotting, price fixing, and other discriminatory and unfair practices.

Extend scale testing program. It is planned to extend the scale testing program beyond the public markets into the meat packing plants and to include the scales used in poultry marketing. The checkweighing program would also be extended to include one of every 16 scales used in live-stock sales.

The estimate is based on the following workload increase:

PACKERS AND STOCKYARDS ACT WORKLOAD OBJECTIVES

Fiscal Years 1965-1967

	F.Y. 1965	F.Y. 1966	F.Y. 1967	Increase 1967 Over 1966
		(Estimated)	(Estimated)	(Estimated)
<u>Packer and Poultry</u>				
<u>Investigations and</u>				
<u>Cases</u>				
Meat merchandising ...	150	200	275	+75
Livestock procurement.	150	150	150	- -
Poultry	25	30	50	+20
<u>Rates, Services and</u>				
<u>Facilities</u>				
Rate proposals	168	160	160	- -
Tariffs received and reviewed	1,382	1,350	1,400	+50
Service and facility studies	47	50	50	- -
<u>Stockyards Investiga-</u>				
<u>tions</u>				
Effective competition	140	175	450	+275
Financial condition .	350	300	300	- -
Unfair & deceptive practices	1,300	1,300	1,400	+100
Custodial accounts ..	150	250	300	+50
Juris. regis. bonds and reports	950	900	750	-150
<u>Scales and Weighing</u>				
Livestock Scale Tests.	12,355	12,300	12,500	+200
Carcass Scale Tests ..	- -	500	500	- -
Poultry Scale Tests ..	- -	- -	500	+500
Weighing Investiga-				
tions	369	300	350	+50

(6) An increase of \$82,000 for administration of the U. S. Warehouse Act.

Need for Increase: Activities under the U. S. Warehouse Act need to be expanded to assure the integrity of warehouse receipts as instruments of trade and collateral for loans. While this program is regulatory in nature, it has long been recognized that strengthening the quality of custodianship exercised by warehousemen and preventing improper and illegal warehousing practices are more beneficial than the imposition of penalties for violations.

To assure accomplishment of the program objectives, it is essential to perform timely and periodic review of warehouse operations, including the verification of inventories, review of records, checking quality of stocks, and assuring adequate housekeeping practices. Deficiencies tend to worsen with the passage of time, and certain problems can become serious if the time period between examinations is too great. An average of at least two examinations of each licensed warehouse per year is necessary, and, in some instances, additional examinations are required.

Corrective actions required. While it is impossible to estimate precisely the losses which would have occurred in the absence of a warehouse examination program or the precise degree to which problems magnify with the passage of time, a review of the corrective actions required by warehousemen under this program in 1965 emphasizes the importance of the examination function.

During 1965, warehousemen whose stocks were found to be less than their obligations were required to make adjustments aggregating 2.7 million bushels of grain. Additional requirements were made as follows: 172 warehousemen were required to condition grain in storage; 480 to make grade adjustments; 208 to improve records; 77 to correct housekeeping deficiencies; 308 to make repairs to buildings and equipment; 269 to eliminate insect infestation; 132 to issue receipts on grain in store; 143 to reweigh their stocks; and 165 to correct miscellaneous irregularities. The problems encountered varied in degree and, in some instances, two or more deficiencies were noted in the same warehouse. Many are clearly of a nature which become more serious with the passage of time unless corrective action is taken.

Rate of examination must be increased. Average annual rates of 1.88 examinations per grain warehouse and 1.28 per cotton warehouse were achieved in fiscal year 1965 and, even with additional funds, the rates will fall considerably short of the desired level in fiscal year 1966. An increase of \$82,000 is urgently needed in 1967 to more nearly achieve the frequency goal of 2.2 examinations.

Plan of Work: The average annual number of examinations would more closely approach 2.2 per warehouse by adding 6 warehouse examiners and supporting staff. The estimated workload in 1966 and 1967 along with that of past years is shown on the following table:

As of June 30	Grain Warehouses				Cotton Warehouses			
	No. Lic. Ware- houses	Stor. Cap. 1,000 Bu.	Exam- iner Man- Years	Av. No. Exams Per House Per Year	No. Lic. Ware- houses	Stor. Cap. 1,000 Bales	Exam- iner Man- Years	Av. No. Exams Per House Per Year
1960	1,185	1,188,027	31.5	1.90	501	13,527	30.0	2.25
1961	1,203	1,280,792	30.0	1.80	500	13,645	30.0	2.20
1962	1,235	1,309,133	31.1	1.72	501	13,724	27.5	2.20
1963	1,249	1,298,819	34.6	1.84	498	14,083	27.2	2.02
1964	1,271	1,358,694	33.3	1.78	502	14,661	27.3	1.56*
1965	1,276	1,411,856	33.5	1.88	512	15,560	26.6	1.28
1966 (Est)	1,340	1,500,000	37.0	1.90	530	16,100	31.0	1.60
1967 (Est)	1,360	1,560,000	38.0	1.98	540	16,250	36.0	1.77
Increase 1967 over 1966 (Est)	+20	+60,000	+1.0	+.08	+10	+150	+5.0	+.17

* The sharp decline in the number of inspections per cotton warehouse is due to substantially heavier stocks of cotton.

(7) An increase of \$570,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay costs is included in the Preface to these Explanatory Notes in Volume 1.)

Allotment from Commodity Credit Corporation
(Warehouse Examinations)

	<u>Administrative Expense Limitation</u>	<u>Other (Capital Fund)</u>	<u>Total</u>
Appropriation Act or Estimate, 1966 ..	\$2,416,500	\$226,000	\$2,642,500
Budget Estimate, 1967	<u>2,485,000</u>	<u>226,000</u>	<u>2,711,000</u>
Increase or decrease	+68,500	- -	+68,500

PROJECT STATEMENT

Project	1965	1966 Estimate	Increased Pay Costs (P.L. 89-30)	Other	1967 Estimate
<u>Allotment from Commodity</u>					
<u>Credit Corporation:</u>					
Warehouse					
examination:					
Administrative					
expense limita-					
tion	\$2,300,000	\$2,416,500	\$69,000	-\$500	\$2,485,000
Other (Capital					
fund)	207,433	226,000	- -	- -	226,000
Total Allotment from					
CCC	2,507,433	2,642,500	69,000	-500	2,711,000

This allotment covers the cost of periodic examinations of non-Federally licensed warehouses storing farm commodities owned by CCC or on which loans have been made under price support programs. The work involves approximately 10,000 warehouses operating under contracts and agreements with CCC.

It is anticipated that the number of examinations required in 1967 will remain at about the current level. The increase in 1967 is to meet mandatory pay cost increases.



STATUS OF PROGRAM

The work under this appropriation consists of services to provide consumer protection and to improve and develop the efficient marketing and distribution of agricultural commodities. The work is authorized by the Agricultural Marketing Act of 1946 and by other service and regulatory laws. It is performed under four activities as follows:

1. Market news service
2. Inspection, grading, classing, and standardization
 - a. Meat inspection
 - b. Poultry products inspection
 - c. All other
3. Regulatory activities
4. Administration and coordination of State payments

Current activities, progress and trends are presented below for each of these activities:

1. MARKET NEWS SERVICE

Current Activities: The Federal-State Market News Service is an important aid to healthy competition in the marketing of agricultural commodities. It provides timely information on prices, demand, movements, volume and quality on all major agricultural commodities produced in the United States. The reports help producers to decide where and when to sell. They help dealers and producers to decide what prices to offer and to accept, and they help producers in planning production. Determination of price support differentials is based on the information provided. This service is a major factor in assuring that production areas and consuming markets are tied together as part of an effective and efficient marketing system serving the American consumer.

Since 1915, when the first official report was issued carrying prices paid for strawberries shipped from Hammond, Louisiana, this service has been expanded to all major agricultural commodities. Reports are issued by more than 220 field reporting services located in significant agricultural producing areas, in major terminal markets, and in leading wholesale food distributing centers.

Generally, market information is obtained by trained Federal-State reporters visiting trading points at the time of transactions. This information is analyzed and sent immediately over the leased wire in nationally understood terms. National information is then integrated with local information in a form easily used by the industry and the locality served.

The information is disseminated by all the news media, as well as by mimeographed reports, bulletin board, telephone, telegraph, radio and television. Most daily and weekly newspapers and radio stations carry news based on Federal and Federal-State reports. About 20.7 million mimeographed reports were mailed in 1965 at the request of growers, shippers, processors and others.

To provide broader coverage and to serve the users more effectively, 42 States were parties to cooperative agreements with the Department in 1965, and paid an average of about 29% of the cost. Each State's share is based on the relationship between the national and the local significance of the market. The Department is constantly working to improve the service and to increase State participation as necessary to achieve equitable, uniform financing among the cooperating States. For example, a tobacco market news cooperative agreement was executed with Florida in 1965, and in 1966 an agreement will be in effect with Wisconsin on fruits and vegetables.

The continuing changes in production and marketing organization and practices, brought about through integration, specialized farming and improved transportation and marketing facilities, have a direct bearing on the operation of the Federal-State market news service. To meet changing industry requirements and to provide better service more economically, shifts and innovations are frequently made in the service. Examples of such action taken in F. Y. 1965 are as follows:

- (a) Beginning in August 1964 micronaire premiums and discounts for the 15 designated spot cotton markets were published. This resulted from the adoption of a revised agreement for quoting spot cotton prices, including a third quality factor (mike).
- (b) Constant review and examination of program operations led to such changes as moving services from one location to another, discontinuing services and reports no longer useful, adding needed information to reports where possible, and making other improvements in order to better serve producers, handlers and dealers.
- (c) Several new services were initiated and improvements to going services were made without increased appropriation. The expansion and improvement were financed principally from savings realized through management improvements such as reductions in the number of names on mailing lists for reports, cross utilization of personnel between programs, better training programs and more adequate supervision of reporters.

Selected Examples of Recent Progress and Trends:

A. Market News Activity, by Commodity Group, Fiscal Year 1965

Commodity Group	:	:	Buyers:	:	Mimeograph-:	:
	:	Field :	and :	Number :	ed Releases:	On
	:	Offices:	Sellers:	Commodities:	to Growers, :	Mailing
	:	:	Inter-:	Reported :	Shippers, :	List
	:	:	viewed :	:	and Others :	:
Cotton and cottonseed:	:	:	:	:	:	:
Year-round	37	:	:	:	:	:
Seasonal	10	:	:	:	:	:
Total	47	:	3,232	:	4	:
		:		:	1,049,775	:
		:		:	27,115	:
Dairy and poultry products ..	39	:	3,257	:	24	:
		:		:	5,839,013	:
		:		:	40,913	:
Fruits and vegetables:	:	:	:	:	:	:
Year-round	28	:	:	:	:	:
Seasonal	23	:	:	:	:	:
Total	51	:	6,200	:	80-100 a/	:
		:		:	9,100,000	:
		:		:	59,000	:
Grain and related products:	:	:	:	:	:	:
Year-round	29	:	:	:	:	:
Seasonal	1	:	:	:	:	:
Total	30	:	2,184	:	40	:
		:		:	2,625,303	:
		:		:	51,159	:
Livestock, meats and wool ...	44	:	7,000	:	10	:
		:		:	870,250	:
		:		:	20,000	:
Naval stores	1	:	70	:	2	:
		:		:	57,709	:
		:		:	900	:
Tobacco:	:	:	:	:	:	:
Year round	3	:	:	:	:	:
Seasonal	6	:	:	:	:	:
Total	9	:	100	:	1 b/	:
		:		:	1,129,080	:
		:		:	3,223	:

a/ Depending on season and location.

b/ Includes 14 types of tobacco.

B. Leased Wire Service Changes:

1. The Market News circuits have 166 teletype drops in 108 cities throughout the country. On September 11, 1964, the major portion of the Market News circuits was included in the General Services Administration TELPAK (bulk wire leasing). This reduced mileage to about 9,866 voice grade equivalent miles with a concurrent reduction in rental charges.
2. The tariff adjustment which had been pending since August 1, 1963, became effective October 1, 1964. This increased the line mileage charge to \$1.10 per mile on a 24-hour, 7-day-a-week basis. It also included some changes in the monthly rental of the various types of teletypewriters, associated equipment, and facilities. This increase was offset in large part by the reduction due to participation in TELPAK.

3. The modernization of the Leased Wire system was completed in May 1965 with the installation of a selective calling system. The final phase of the modernization included increasing the circuit speed from 75 to 100 words per minute, replacing all keyboard sending and receiving machines (manual) and the old type automatic sending and receiving machines with modern automatic equipment. The system is now controlled from a central point with a predetermined order of starting the transmitters.

C. Commodity Reporting Improvements:

1. A direct cattle report was added to the program in Iowa and Southern Minnesota, covering 40,000-50,000 cattle per week-- the largest volume covered in a single report in the nation. In February 1965 the first market news report was issued from Ogden, Utah, covering direct sales of slaughter and feeder cattle in the Snake River Valley of Southern Idaho. In May 1965, the first report was issued covering sales of slaughter cattle sold in an area 100 miles around San Antonio.
2. In September 1965, reporting began on auction and direct sales of livestock in Southwest Kansas and Southeastern Colorado. Some of the better quality feeder cattle in the United States are sold in this area, and these cattle move to many distant points making the report of national importance. Receipts at the auctions plus direct sales in the area total approximately 60,000 carlots annually. In October 1965, a livestock market news office was opened in San Angelo, Texas in cooperation with the Texas State Department of Agriculture. The San Angelo area is a livestock, wool and mohair producing area of national importance and a growing meat producing center. San Angelo ranks No. 1 in sheep marketing in the United States.
3. Extended and improved coverage of fruits and vegetables by:
(a) reporting the local shipping point market for cabbage at Salinas, California (b) initiating report on prices of apples for processing in the major producing areas; and (c) starting f.o.b. reports on broccoli at Salinas and Santa Maria, California.
4. Direct radio broadcasts on tobacco were made from Danville, Virginia and Florence, South Carolina C&MS offices on a daily basis during the marketing season.

5. The dissemination of cotton market news by the Weather Bureau wires was broadened this season to include daily cotton market news during the harvesting season over the southwestern Agri-Weather wire circuit. This circuit covers 23 counties in the Lubbock, Texas area and has 44 outlets.
6. Dairy and poultry market reporting projects were reviewed and evaluated for proper coverage, accuracy, and usefulness to industry. Reports were updated to reflect changes in trading practices of buyers and sellers. Many of the ready-to-cook broiler reports in major consumer markets were changed to show market conditions and prices on the day the negotiations took place rather than on the day of delivery which was often as much as a week later than the day of negotiation.

D. Federal-State Cooperation:

Federal-State Cooperative Agreements in Effect in F. Y. 1965
by Commodity Group

Dairy and Poultry Products	:	Fruits and Vegetables	:	Grain and Feed Products	:	Livestock Meats and Wool	:	Tobacco
Alabama	:	Alabama	:	Alabama	:	Alabama	:	--
--	:	Arizona	:	--	:	--	:	--
Arkansas	:	Arkansas	:	Arkansas	:	Arkansas	:	--
California	:	California	:	California	:	California	:	--
Colorado	:	Colorado	:	--	:	--	:	--
Connecticut	:	--	:	--	:	--	:	--
Delaware	:	Delaware	:	Delaware	:	--	:	--
Florida	:	Florida	:	--	:	Florida	:	Florida
Georgia	:	Georgia	:	--	:	Georgia	:	Georgia
Hawaii	:	Hawaii	:	--	:	Hawaii	:	--
--	:	Idaho	:	--	:	--	:	--
--	:	--	:	Illinois	:	Illinois	:	--
Indiana	:	Indiana	:	--	:	--	:	--
Iowa	:	--	:	Iowa	:	Iowa	:	--
Kentucky	:	Kentucky	:	Kentucky	:	Kentucky	:	Kentucky
Louisiana	:	Louisiana	:	Louisiana	:	--	:	--
Maine	:	Maine	:	--	:	--	:	--
Maryland	:	Maryland	:	Maryland	:	Maryland	:	Maryland
Massachusetts	:	--	:	--	:	--	:	--
Michigan	:	Michigan	:	--	:	--	:	--
Minnesota	:	Minnesota	:	--	:	--	:	--
Mississippi	:	--	:	Mississippi	:	--	:	--
--	:	Missouri	:	Missouri	:	Missouri	:	--
Nebraska	:	--	:	--	:	--	:	--
New Hampshire	:	--	:	--	:	--	:	--
New Jersey	:	New Jersey	:	--	:	--	:	--
--	:	New York	:	--	:	--	:	--
North Carolina	:	North Carolina	:	North Carolina	:	--	:	North Carolina
Ohio	:	--	:	--	:	--	:	--
--	:	--	:	--	:	Oklahoma	:	--
Oregon	:	Oregon	:	Oregon	:	Oregon	:	--
Pennsylvania	:	Pennsylvania	:	--	:	Pennsylvania	:	--
Rhode Island	:	Rhode Island	:	--	:	--	:	--
South Carolina	:	South Carolina	:	South Carolina	:	--	:	South Carolina
--	:	--	:	--	:	Tennessee	:	Tennessee
Texas	:	Texas	:	Texas	:	Texas	:	--
Utah	:	--	:	Utah	:	Utah	:	--
Vermont	:	--	:	--	:	--	:	--
Virginia	:	Virginia	:	Virginia	:	--	:	Virginia
Washington	:	Washington	:	--	:	Washington	:	--
West Virginia	:	West Virginia	:	--	:	--	:	West Virginia
Wisconsin	:	--	:	--	:	--	:	--
Total	35:	29	:	17	:	18	:	9

E. Federal Cost of Service

	1965	1966 Est.	1967 Est.
Total cost of service	\$6,448,920	\$6,994,263	\$7,030,963
Less reimbursements*	346,557	348,863	348,863
Paid from appropriation .	6,102,363	6,645,400	6,682,100

* Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended by States and by local groups both under cooperative agreements and outside of agreement. In all, States expended over \$2.5 million in 1965.

2. INSPECTION, GRADING, CLASSING, AND STANDARDIZATION

The activities under this financial project fall into three major groups which are:

A. Meat inspection

Current Activities: Federal meat inspection assures that meat and meat products will be clean, sound, wholesome, free from adulteration, and truthfully labeled. The work consists of (1) the examination of food animals, including cattle, calves, sheep, swine, goats, and horses prior to slaughter to eliminate those animals found to be affected with diseases or other unwholesome conditions; (2) a thorough post-mortem examination of each carcass at the time of slaughter to detect and eliminate diseased and otherwise unfit meat; (3) destruction for food purposes of all diseased, unsound and otherwise unwholesome meat and meat food products; (4) supervision of the preparation of meat and meat food products to assure their cleanliness and wholesomeness during preparation into articles of food; (5) guarding against the use of harmful preservatives and other deleterious ingredients; (6) supervision of the application of marks to meat and meat food products to show that they are "U. S. Inspected and Passed" or "Condemned"; (7) supervision of the use of informative labels and prevention of the use of false and deceptive labels on meat and meat food products; (8) certification of meat and meat food products for export; (9) inspection of meat and meat food products offered for importation into this country; (10) supervision of the manufacture and labeling of process and renovated butter; (11) laboratory analysis to detect and eliminate meat and meat products containing harmful residues resulting from ingestion of pesticides, growth-promoting substances, drugs or biologicals, or the treatment with or similar exposure of animals to such substances; and (12) developing and determining acceptable methods for humane slaughter of meat animals. Meat and meat food products are examined for compliance with specifications of governmental purchasing agencies, with reimbursements for the cost of such services. Reimbursements are received from meat packing establishments for the cost of overtime work performed at their request.

Selected Examples of Recent Progress:

1. Increased Number of Establishments Require Federal Inspection in Fiscal Year 1965.

	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>Est. 1966</u>
Number of establishments under inspection on June 30	1,511	1,590	1,679	1,775	2,100
Number of cities and towns in which establishments were located on June 30 .	623	672	702	743	777

2. New plant construction and renovation of existing plants continues at record high level:

	<u>Fiscal Year</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Drawings and specifications reviewed for new or remodeled structures	1,211	1,467	1,656
Projects approved	953	1,137	1,324
New plants approved	192	214	230
Estimated cost of con- struction	\$65,000,000	\$82,500,000	\$186,286,000

The amazing increase in the estimated cost of construction is the result of the unusual number of larger sized new plants approved during the year. For example: there were two new plants which cost \$10 million each, one costing \$7-1/2 million, 3 costing \$3 million, and 9 costing \$2 million each. More than 20 of the new approved plants will cost approximately \$1 million each. Plants such as these greatly improve efficiency in the meat packing industry, increase the processing capacities, and will add significantly to the future workload in the meat inspection program.

3. Increased automation in the meat processing industry. Much progress was made during the year in the automation of handling and processing of meat and meat food products, particularly in manufactured items such as smoked hams, frankfurters, and canned products. The economic impact of these innovations to the packer is great. However, the volume of product handled, coupled with the complexities of the equipment, adds to the workload of meat inspectors stationed in plants in which the new equipment has been installed.

4. New labels approved for use on meat and meat food products.

	<u>1964</u>	<u>1965</u>
Labels approved (domestic)	51,359	52,622
Labels approved (imports)	1,177	1,194
Labels rejected	2,485	1,493

5. Laboratory work expanded. During fiscal year 1965 chemical control laboratories examined a total of 174,685 specimens of meat and meat food products and various ingredients used in meat production, an increase of 6,965 over 1964.

The biological control laboratories evaluated, tested and diagnosed a total of 27,594 specimens and samples, an increase of 7,645 over 1964. This increase in volume of samples examined during 1965 was generally divided between the histopathological, parasitological, microbiological, and serological facilities.

Increases in the amount of laboratory testing required as part of the meat inspection program, required the expansion of laboratories at Beltsville, Omaha, and San Francisco. This expansion will relieve the pressure on existing facilities.

The results of laboratory examinations provide plant inspection personnel with information required for final disposition of meat and meat food products on the production line.

6. Federal State cooperation. Work to develop a cooperative Federal-State meat inspection program is underway. To implement P. L. 87-718, a "Notice of Proposed Rule Making" was published in the Federal Register on October 30, 1964. No further action has been taken to implement the proposal due to the overwhelming opposition of interested parties and to legal questions raised.

Several State legislatures are considering State inspection programs, using stated Federal policy as a guideline. Meat inspection personnel of the Department have worked closely with State officials in providing background information, training guides, and other data necessary for the development of effective State inspection programs. Many States have been assisted through on-the-job training in Federally inspected establishments.

A "Model State Meat and Poultry Inspection Law" was developed by the Department. Copies were distributed to all States for use in developing or remodeling State meat inspection legislation. Three States (Iowa, Michigan, and Ohio) enacted meat inspection laws during this year with the assistance of USDA personnel.

7. Violations of the Federal meat inspection laws. The character and frequency of violations of Federal Meat Inspection laws continue relatively unchanged from previous years. The strenuous efforts made to maintain compliance through personal visits to plant management and educational procedures, continue to be effective. Cases of flagrant violations have been pursued vigorously through court actions.

There follows a comparison of activities for Fiscal Years 1963 through 1965:

	<u>Fiscal Year</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Letters of caution to persons or firms .	183	268	259
Cases presented for prosecution	56	59	44
Cases successfully prosecuted	18	17	17

Efforts were continued to solve the problem of masking and alteration of labels on Federally inspected meat products at the retail level, which accounts, in part, for the continued high number of letters of caution issued during 1965.

8. Humane slaughter activity. During Fiscal Year 1965, over 107 million animals, or about 96% of all animals slaughtered in Federally inspected establishments, were slaughtered humanely. This was accomplished in about 546 official establishments. Through a monthly reporting system by field veterinarians and by a public announcement in the Federal Register, carcasses of all humanely slaughtered animals were appropriately identified.
9. Investigation of foreign meat inspection systems. The enforcement staff devoted considerable time to the examination of laws and regulations of applicant foreign meat inspection programs. Those of Hungary, Rumania, Colombia, and the Malagasy Republic were evaluated but none was considered to be the equivalent of the laws and regulations of the United States. Staff officers reviewed personally the foreign meat inspection systems in actual operations. Countries visited included Australia, New Zealand, Germany, Northern Ireland, France, Spain, Mexico and countries in Central and South America.
10. Scope of operations. During Fiscal Year 1965 about 112 million food animals were slaughtered and converted into meat and meat byproducts in establishments operating under Federal inspection. The following tables reflect the volume of inspection activities.

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10. Scope of operations. During Fiscal Year 1965 about 112 million food animals were slaughtered and converted into meat and meat byproducts in establishments operating under Federal inspection. The following tables reflect the volume of inspection activities.

Meat Inspection Activities (in thousands)

	Actual 1962	Actual 1963	Actual 1964	Actual 1965	Estimated 1966	Estimated 1967
<u>Ante-mortem Inspections:</u>						
Animals passed	106,973	109,253	113,677	111,814	110,444	113,843
Animals suspected	132	133	136	157	136	137
Animals condemned	<u>4</u>	<u>5</u>	<u>5</u>	<u>8</u>	<u>7</u>	<u>7</u>
Total animals inspected	107,109	109,391	113,818	111,979	110,587	113,987
<u>Post-mortem Inspections:</u>						
Carcasses passed for food purposes:						
Entire carcass	97,977	99,506	103,304	101,294	100,073	103,035
After removal and condemnation of						
portions of carcass affected with						
various diseases and conditions	<u>8,847</u>	<u>9,618</u>	<u>10,233</u>	<u>10,399</u>	<u>10,231</u>	<u>10,667</u>
Subtotal	106,824	109,124	113,537	111,693	110,304	113,702
Carcasses condemned and destroyed for						
food purposes	<u>280</u>	<u>261</u>	<u>275</u>	<u>277</u>	<u>274</u>	<u>275</u>
Total carcasses inspected	107,104	109,385	113,812	111,970	110,578	113,977
Percentage of carcasses condemned in						
whole or in part	8.5	9.0	9.2	9.5	9.5	9.6

Liver condemnations in cattle and calves:

Cattle and calves passed for food				30,711	31,134	31,322
purposes included above	25,092	25,626	27,660			
Number of livers condemned for						
food purposes	3,080	3,129	3,312	4,065	3,705	3,665
Percentage of livers condemned for						
food purposes	12.3	12.2	12.0	13.2	11.9	11.7

Meat Inspection Activities (in thousands) - Continued

	Fiscal Years				
	Actual 1962	Actual 1963	Actual 1964	Estimated 1966	Estimated 1967
<u>Inspection of animals by species:</u>					
<u>Ante-mortem inspection (animals)</u>					
Cattle.....	20,161	20,863	23,204	26,196	26,459
Calves.....	5,015	4,767	4,542	4,945	4,871
Sheep and lambs.....	14,665	14,140	13,704	12,070	11,949
Goats.....	103	260	174	175	150
Swine.....	67,111	69,314	72,156	67,169	70,528
*Horses.....	54	47	38	32	30
Total.....	107,109	109,391	113,818	110,587	113,987
<u>Post-mortem inspection (carcasses):</u>					
Cattle.....	20,159	20,860	23,201	26,191	26,453
Calves.....	5,014	4,766	4,541	4,943	4,869
Sheep and lambs.....	14,664	14,139	13,703	12,069	11,948
Goats.....	103	260	174	175	150
Swine.....	67,110	69,313	72,155	67,168	70,527
Horses.....	54	47	38	32	30
Total.....	107,104	109,385	113,812	110,578	113,977

*Horses are slaughtered and their meat is identified as such. Their meat is handled and prepared in separate establishments from those handling cattle, calves, sheep, swine and goats.

Meat and Meat Food Products Prepared and Processed Under
Supervision Classified by Type of Product
(in thousand pounds)

	FY 1963	FY 1964	FY 1965
Placed in cure:			
Beef	173,436	185,808	195,698
Pork	3,354,086	3,361,574	3,333,840
Other	3,382	3,528	5,502
Smoked and/or dried:			
Beef	54,611	56,652	68,946
Pork	2,540,110	2,569,294	2,587,949
Cooked meat:			
Beef	50,185	55,887	58,878
Pork	266,617	243,812	226,059
Other	4,967	5,211	2,816
Sausage:-			
Fresh finished	272,812	294,934	300,452
To be dried or semi-dried	141,591	151,015	157,605
Frankfurters, weiners	727,800	761,343	803,074
Other	715,340	753,684	817,449
Loaf, headcheese, chile con carne ...	213,921	235,457	238,791
Steaks, chops, roasts	688,231	746,885	808,136
Meat extract	2,665	1,553	2,381
Sliced bacon	1,107,960	1,145,428	1,160,655
Sliced other	381,411	432,971	501,543
Hamburger	272,247	331,788	373,729
Miscellaneous meat products	346,492	387,145	453,768
Lard:			
Rendered	2,016,681	2,048,887	1,895,337
Refined	1,302,039	1,356,075	1,232,180
Oleo stock	61,869	65,632	39,346
Edible tallow	453,982	537,911	537,890
Rendered pork fat:			
Rendered	87,614	91,927	88,579
Refined	40,379	42,917	46,362
Compound containing animal fat	882,490	921,047	908,693
Oleomargarine containing animal fat .	193,042	177,131	202,066
Canned products	2,678,964	2,667,010	2,877,015
Horse meat products:			
Cured	1,507	177	430
Chopped	3,222	3,135	2,500
Edible oil	--	--	73
Canned horse meat	10,331	10,417	4,370
Total	19,049,984	19,646,235	19,932,112 a/
Boning:			
Beef boning	2,982,566	3,415,762	4,111,041
Pork cut	11,101,738	11,482,555	10,866,114
Other boning	1,125,480	1,120,792	1,145,149
Total	15,209,784	16,019,109	16,122,304 b/

a/ Represents inspection pounds. Some products may have been inspected and recorded more than once due to their having been subjected to more than one processing treatment, such as curing, smoking, and slicing.

b/ Represents poundage of the total number of animals slaughtered used for boning and further processing into meat food products.

Foreign Meat and Meat Food Products Passed for Entry and Refused
Entry and/or Condemned

Fiscal Year 1965

<u>Country of Origin</u>	<u>Passed</u> <u>(Pounds)</u>	<u>Refused</u> <u>(Pounds)</u>
Argentina	75,286,812	667,989
Australia	332,032,131	1,628,726
Austria	12,528	--
Belgium	--	4,920
Brazil	14,519,517	116,645
Canada	107,435,929	1,842,924
Costa Rica	14,015,267	9,209
Czechoslovakia	966,537	12,086
Denmark	82,143,783	349,609
Japan	260	--
England	106,706	--
France	81,515	--
Germany	988,918	6,629
Holland	40,332,974	350,373
Honduras	8,883,420	22,796
Iceland	413,190	--
Guatemala	12,021,051	70,569
Ireland	5,661,985	15,220
Italy	1,404,122	12,849
Haiti	2,964,554	550
Mexico	46,920,131	756,845
Nicaragua	21,451,119	157,009
Norway	49,641	240
Northern Ireland	167,900	--
New Zealand	131,645,880	1,491,464
Paraguay	13,334,229	415,957
Scotland	1,763	--
Poland	50,731,625	64,372
Spain	12,885	13,467
Sweden	64,478	2,879
Switzerland	22,770	2,302
Uruguay	14,322,129	230,503
Yugoslavia	10,414,287	135,227
TOTAL	<u>988,410,036</u>	<u>8,381,359</u>

Meat and Meat Food Products Condemned on Reinspection and Destroyed, F.Y. 1965

Cause	Beef	Veal	Mutton and Lamb	Goat Meat	Pork	Subtotal	Horse Meat	Total, Including Horse Meat
	(pounds)	(pounds)	(pounds)	(pounds)	(pounds)	(pounds)	(pounds)	(pounds)
Tainted, sour or putrid ..	4,446,337	65,477	91,782	17	7,756,172	12,359,896	181,077	12,540,973
Rancid	258,108	1,591	1,479	60	381,901	643,139	-	643,139
Molds or foreign odors ...	530,744	5,422	3,743	-	869,012	1,414,321	72,566	1,486,887
Unsound canned goods	562,314	523	3,097	45	406,517	972,801	579,868	1,552,669
Unclean or contaminated ..	5,582,826	116,223	112,300	7,313	6,644,091	11,735,501	20,263	11,755,764
Miscellaneous	260,958	4,246	3,545	76	230,068	498,894	319	499,213
Total	11,641,287	193,482	215,946	7,511	16,287,761	27,624,552	854,093	28,478,645

Materials Other than Meat Rejected for Use, F.Y. 1965

Produce	CAUSE OF REJECTION									
	Non-compli- :ance with	Contami- :nation	Odor :Color, or	Sour :and/or	Unsound:	Unaccept- :able	Misc.	Total		
	:Fed. Regs.	:nation	:Taste	:Moldy	:Goods	:Equipment:				
	: (pounds)	: (pounds)	: (pounds)	: (pounds)	: (pounds)	: (pounds)	: (pounds)	: (pounds)		
Spices and seasoning	: 19,969	: 173,853:	75 :	3,759 :	- - :	- - :	130 :	197,786		
Flours and grains	: 5,385	: 114,574:	448 :	9,307 :	- - :	50 :	- - :	129,764		
Dairy & egg products	: 19,691	: 21,666:	1,172 :	1,596 :	900 :	- - :	1,360 :	46,385		
Fruits & vegetables	: 1,821	: 59,459:	8,220 :	23,869 :	20,475 :	- - :	250 :	114,094		
Soaps, oils, & cleaners	: 2,469	: 3,735:	866 :	- - :	- - :	- - :	381 :	7,451		
Equipment	: 1,244	: 458,558:	- - :	- - :	- - :	14,880 :	- - :	474,682		
Casings	: 18,853	: 5,150:	125 :	250 :	- - :	- - :	- - :	24,378		
Curing agents	: 9,150	: 116,560:	10 :	60 :	- - :	- - :	125 :	125,905		
Miscellaneous	: 2,795	: 52,459:	150 :	1,633 :	287 :	- - :	780 :	58,104		
Total	: 81,377	: 1,006,014:	11,066 :	40,474 :	21,662 :	14,930 :	3,026 :	1,178,549		

Materials rejected for use which are listed above were either removed from the establishments, returned to the supplier, destroyed by the establishments, or held for Food and Drug Administration or other appropriate health authority depending upon the cause of rejection.

B. Poultry inspection

Current Activities: Poultry and poultry products are inspected for wholesomeness pursuant to the Poultry Products Inspection Act of 1957. All poultry slaughtered and processed in plants dealing in interstate or foreign commerce must be inspected both before and after slaughter. Inspections are made at three points in the process of preparing poultry for market.

1. Live birds entering slaughtering plants are inspected on a lot basis to assure, as nearly as possible, that no diseased birds are slaughtered.
2. Each slaughtered bird is examined individually, and any found unfit for human consumption are condemned and refused entry into commerce.
3. Products containing poultry meat (soups, pies, TV dinners, etc.) are also inspected in processing plants.

The work is performed by highly-trained inspectors under the direct supervision of veterinarians and results in the marketing of truthfully labeled, uniform, acceptable products from healthy birds processed in sanitary surroundings.

Examples of Recent Progress and Trends:

1. 11.3 billion pounds of poultry were inspected in 1965--an increase of about 569 million pounds or 5% over 1964. This was a continuation of the increase in production trend experienced since enactment of the mandatory poultry inspection law in 1957.
2. The trend toward greater use of convenience poultry food products continued during 1965. There was a 15.8% increase in the amount of cut-up poultry inspected and a 12.5% increase in the volume of processed poultry inspected. The number of processing plants under continuous inspection on June 30, 1965 was 526, an increase of 27 over the same date a year ago. Number of slaughter and evisceration plants continued a downward trend--from 473 on June 30, 1964 to 468 a year later. While the total number of slaughter and evisceration plants has decreased, the facilities for production in the plants have increased.

3. Continuing efficiencies in performing the increased workload resulted in an increase of almost 194,000 pounds inspected per man-year. Had increased efficiencies not taken place it would have required 1,929 man-years in Fiscal Year 1965 to handle the job that was actually done with 1,872, thus avoiding the cost of 57 man-years.

These efficiencies in manpower utilization were accomplished by giving prime consideration to the duration and continuity characteristics of each particular work assignment (full-time, seasonal, part-time or intermittent) when appointing personnel and by adjusting the number of inspectors assigned at each plant as workload changes occurred. This achievement in manpower workload efficiency is a continuation of the pattern of improvement attained each year over the preceding year since Fiscal Year 1960, the first full year of operations under the mandatory Poultry Products Inspection Act. Savings accrued, in both manpower and travel, through the employment of intermittent inspectors at the local level to perform relief inspection work, as required, during periods of leave of the regular staff.

The following table shows volume of work completed in 1964 and 1965 and estimates for 1966 and 1967.

Activity under the Poultry Products Inspection Act
Fiscal Years 1964-1967

Item	1964	1965	1966 (Est.)	1967 (Est.)
Poultry inspected in slaughter plants:				
No. Head (thousand)	2,125,854	2,189,985	2,400,000	2,500,000
Pounds (thousand live weight) .	8,787,433	9,077,655	9,900,000	10,400,000
Poultry condemned ante-mortem:				
No. Head (thousand)	3,392	3,246	<u>a/</u>	<u>a/</u>
Pounds (thousand live weight) .	14,023	13,453	<u>a/</u>	<u>a/</u>
Poultry condemned post-mortem:				
No. Head (thousand)	49,683	50,148	<u>a/</u>	<u>a/</u>
Pounds (thousand N.Y. dressed weight)	188,817	196,360	<u>a/</u>	<u>a/</u>
Poultry certified:				
Pounds (thousand ready-to-cook) :	6,434,354	6,655,631	7,200,000	7,600,000
Poultry inspected in further processing plants:				
Pounds (thousand live weight equiv.)	1,953,388	2,232,076	2,600,000	2,850,000
Total poultry inspected:				
Pounds (thousand live weight equiv.)	10,740,821	11,309,731	12,500,000	13,250,000
No. plants under inspection 6/30 b/:				
Slaughter operations	473	468	<u>c/</u> 469	472
Further processing operations .	499	526	530	532
Total	972	994	999	1,004
Line facilities in slaughter plants	1,284	1,326	<u>c/</u> 1,394	1,428
Examination of labels:				
Proposed labels received	13,645	13,501	14,000	15,000
Labels approved	9,278	9,315	<u>a/</u>	<u>a/</u>
Labels disapproved	4,367	4,186	<u>a/</u>	<u>a/</u>
Laboratory work:				
Chemical compounds received for review	1,182	1,598	2,000	2,500
Approved	1,120	1,564	<u>a/</u>	<u>a/</u>
Rejected	62	34	<u>a/</u>	<u>a/</u>
Chemical tests made	2,294	32,047	35,000	35,000
Gross pathological specimens examined	13	22	50	75
Histopathology specimens examined	497	9,996	12,000	15,000
Microbiological tests performed	--	1,860	3,500	5,000

a/ Not feasible to make estimate.

b/ Plants with both slaughter and further processing operations are double counted, once as slaughter plants and once as further processing plants. For the period 1963-1967, there were about 100 such plants.

c/ Includes plants under inspection 6/30/65 plus applications for inspection on hand 6/30/65

C. All other inspection, grading, classing and standardization:

Current Activities: These programs assist farmers in obtaining a fair price for their products. This is accomplished by (1) establishing for all major agricultural commodities national standards that accurately reflect quality and condition; (2) developing the equipment and methods by which these standards may most efficiently and effectively be applied; (3) broadening the use of such standards by providing demonstrations, training courses, bulletins, photographs, copies of standards, etc.; (4) providing an inspection, grading, and classing service on the basis of these standards; and (5) administering and enforcing laws requiring the use of official U. S. standards for all cotton, cotton linters, and grain sold by grade and shipped in interstate and foreign commerce, and for tobacco sold at designated auction markets.

Selected Examples of Recent Progress and Trends:

1. Standardization and related activities:

- a. Export butter specifications were issued in February 1965. They were developed in cooperation with the American Butter Institute, Dairy Society International and the Foreign Agricultural Service. A sales brochure has been printed by the latter two groups and made available to foreign buyers of American dairy products. Specifications were also developed for the addition of Vitamins A and D to nonfat dry milk which is donated overseas to 50 million school children through the P.L. 480 program. This new program required new facilities and equipment to perform vitamin tests at the Chicago and Syracuse laboratories.
- b. Under the revised wheat standards which became effective June 1, 1964, it was found that rather restrictive maximum limits for contrasting classes were causing hardship to some of the white wheat producers in the Pacific Northwest. Following a survey of the effect of contrasting classes, a proposal to amend the standards was published. This amendment was adopted on June 15, 1965.
- c. The official cotton standards for fiber fineness and maturity (micronaire readings) were revised in May 1965, to be effective June 1, 1966, to bring these up to date from the standpoint of equipment and procedures. This revision also provides that these standards will become general purpose standards so that micronaire readings may be obtained upon request on any cotton submitted for grade and staple

determinations. Micronaire readings are now furnished to farmers, without specific request, under the Smith-Doxey program. This third quality factor is being added because micronaire readings have become an important factor in the merchandising and processing of cotton.

- d. A major part of the livestock standardization activity during the year involved in adoption of revised quality standards and new yield grade standards for beef carcasses and cuts. The first official standards for grades of feeder cattle were adopted and standards for grades of feeder pigs were proposed. Progress was made toward obtaining information necessary to develop a method to identify differences in cutting yields in lamb and mutton carcasses. Increased assistance was provided to State grading programs on interpretation of grades and standards.
- e. A proposed amendment to the poultry grading regulations concerning the applicability of grade standards to processed raw poultry products excited considerable discussion among industry members. Several firms have been applying the grade mark to raw poultry roasts on the basis of tentative grade standards, which have, with slight changes, been incorporated into the proposed amendment. These firms report unusual acceptance of the product.

The Department cooperated with a committee from the National Association of State Departments of Agriculture and the National Association of Marketing Officials in developing an amended and final draft of the proposed "Model Egg Law." The final draft has been submitted to all States for their consideration. New Jersey is the first State to pass enabling legislation making it possible to adopt the Model Egg Law.

f. New and Revised Standards.

	<u>1963</u>	<u>1964</u>	<u>1965</u>
Grade standards in effect 6/30	1,490	1,454	1,494
Number of commodities covered	290	311	313
New standards issued	9	4	32
New standards in process 6/30	44	40	9
Requests pending for new standards 6/30	51	14	11
Standards revised	215	202	203
Standards being revised 6/30	55	29	130
Requests pending for revision of standards 6/30	45	31	137

g. Demonstration Activities 1965-1967.

	<u>1965</u>	<u>1966 Est.</u>	<u>1967 Est.</u>
Demonstrations held for:			
Farm groups	2,904	2,947	2,951
Training and educational programs ..	3,681	3,749	3,773
Fairs, field days and classing contests	76	84	88
Other demonstrations (industry meetings, radio and TV programs, civic clubs, etc.)	8,875	9,319	9,426
Demonstration material distributed or displayed:			
Bulletins, leaflets, photos, charts, etc.	843,542	852,847	857,947
Slides and films	1,673	1,656	1,673
Models, samples, and exhibits of standards	1,945	1,916	2,006

Approximately 670,000 people are estimated to have seen C&MS demonstrations and exhibits in Fiscal Year 1965 excluding radio and TV audiences.

2. Other Inspection, Grading, and Classing Activities:

a. Cotton Classing at Second Highest Level Since 1958.

Of the 18.7 million bales of cotton classed, 14.3 million were classed for members of Smith-Doxey groups, Micronaire readings on a fee basis were made on 8.2 million bales of which 5.2 million were made under the Smith-Doxey program. This was about double the number of samples tested in 1964.

b. Increased Emphasis on the Use of Laboratory Instruments in Classing Cotton.

Emphasis on the use of laboratory instruments as aids in the supervision and classification of cotton was continued during 1965. Continued use was made of Fibrograph, Micronaire and Colorimeter measurements as aids in the supervision of cotton classification. Four additional classing offices were equipped with Colorimeters, making a total of 21 offices now using these instruments.

c. Number of Cotton Classifications and Related Data 1965-1967

Type of Service and Legislative Authority	Number (thousands)		
	1965	1966 Est.	1967 Est.
<u>Cotton Classifications:</u>	:	:	:
Statistics and Estimates Act	292	350	350
Smith Doxey Amendment <u>a/</u>	14,311	14,000	13,000
Cotton Standards Act:	:	:	:
Public Classing Service	3,935	4,400	4,400
Federal Penitentiary (reimb.) ..	24	25	25
CCC Loan (reimb.)	15	15	15
P.L. 480	110	150	150
Cotton Futures Legislation	25	43	43
Other	18	17	17
Total Cotton Classifications .	18,730	19,000	18,000
<u>Cotton Fiber Tests</u>	220	215	220
<u>Micronaire Determinations (Total)</u> ..	9,713 ^{b/}	11,040 ^{b/}	16,550 ^{c/}
<u>Cotton Linters Classifications:</u>	:	:	:
Cotton Standards Act	3	3	3

a/ Each year, since the development of micronaire equipment, about 1-1.5 million samples have been subjected to micronaire tests without charge to producers, as an aid in classing.

b/ Includes approximately 1.5 million tests for which no fee is collected.

c/ Includes approximately 13 million tests for which no fee is collected.

- d. Decrease in volume of dairy products. The total volume of dairy products inspected and graded in 1965 dropped to 4.1 billion pounds, a decrease of 29% from 5.8 billion pounds of the previous year. This decrease was the result of a 72% reduction in regradings of Commodity Credit Corporation-owned storage stocks of butter, butteroil, cheese, and nonfat dry milk. CCC stocks of these commodities were very low due in large measure to the greatly increased exports of dairy products. Also significant in the reduction in overall volume of work was the 46 percent reduction in the amount of product requiring supervision of packaging or processing such as butter, butteroil, cheese, and dry milk to be used for the School Lunch Program and for other eligible outlets. The decreases were partly offset by a 100% increase in dockside inspection. Other services, such as full-time "resident" inspection and grading at processing plants, plant surveys, and original grading of butter, cheese, and dry milk, either increased slightly or continued at about the same level as in 1964.
- e. Dockside inspections were performed on more than 600 million pounds of butter, anhydrous milk fat, butteroil, cheese, and dry, evaporated, and sweetened condensed milk in Fiscal Year 1965. These inspections have doubled over last year and cover dairy products exported under Payment-In-Kind and other export programs.
- f. 19% Increase in violations of U. S. Grain Standards Act.

A total of 720 cases were received in Fiscal Year 1965 compared to 605 in the previous year. During the past fiscal year, 824 cases (including some from previous years) were closed, most with warning letters to shippers, exchanges, samplers, and/or inspectors. Twenty-two requests for investigation were forwarded to the Office of the Inspector General, and 32 cases were forwarded to the Office of the General Counsel with recommendations for prosecution. Two shippers were fined \$1,400 for deceptive loading of grain. Three inspectors' licenses were temporarily suspended.

g. Volume of Grain Inspection and Appeal Activities Under the U. S. Grain Standards Act.

Activity	Fiscal Year			
	1964	1965	1966 Est.	1967 Est.
<u>Inspection services:</u>				
Thousand bushels produced (crop year).....	7,945,686	7,372,050	7,920,000	7,700,000
Thousand bushels inspected	7,446,123	6,926,483	7,000,000	7,000,000
Number of inspections	3,384,824	3,280,000	3,180,000	3,080,000
Inspections federally supervised	159,850	151,153	136,000	133,000
Percent of inspections supervised				
(including appeals).....	5.7	5.4	5.0	5.0
<u>Appeal Services:</u>				
Number of appeals referred	32,337	24,851	23,200	21,200
Appeals denied or cancelled	200	200	200	200
Appeals decided	32,137	24,651	23,000	21,000
Original grade sustained (percent) ...	76	78	80	80
Appeals carried to appeals board	306	330	300	250
Original grade sustained (percent) ...	76	79	80	80

h. Record volume of meat graded.

The amount of federally graded and accepted meats increased approximately 1.6 billion pounds during the fiscal year. This increase was reflected largely in beef grading with a gain of a little more than 1 billion pounds and a gain of 500 million pounds in the acceptance of meat products for large-scale purveyors of meals. Commercial beef production increased approximately 6% over Fiscal Year 1964, but the beef grading tonnage increased 10%. This substantial increase in beef graded during a peak-volume year of marketing reflects the continuing and growing use of the grading service by the industry to expedite the orderly marketing of meat products.

i. Increased grading of shell eggs.

The volume of shell eggs graded increased by 5.7%. The number of plants using the grading service increased by 29 plants over the previous year. There have been continued increases in requests for grading service on the farm by large producers with 100,000 or more hens, and by combinations of several producers who maintain 10 to 30 thousand hens. Some of these plants deliver eggs to stores within one or two days from the date of lay. Grading service is rendered to 339 shell egg

plants. More than 70 plants are eligible to pack eggs under the Quality Control Program. There were 2,038,956 cases of eggs packed from Quality Control flocks.

j. Increased poultry grading.

The quantity of poultry graded increased by about 7.3%. The volume of young chickens graded was influenced, to a considerable extent, by demand for graded products by retail outlets. The increase of volume graded in this category was due to an increase in grading of young chickens. There was a continued reduction in the amount of fowl graded.

k. Naval stores grading declines.

Rosin and turpentine production continued to decline. Production of gum rosin declined 13% under the 1964 level. Production of gum turpentine declined 12.5%.

Turpentine inspection overall declined about 18%. This decrease was attributable not only to the decrease in production but to a higher percentage of sales under industrial specifications.

l. Volume of tobacco inspected decreases.

All tobacco sold at auction continued to be graded by Federal inspectors during 1965. About 95% of all U. S. production is sold at auction. The principal exception is cigar leaf types of tobacco.

The volume of tobacco inspected totaled about 2,238 million pounds, a decline of 5% from the previous year. However, personnel requirements are determined by the number of markets and sets of buyers. Changes in volume graded have very little effect on the number of inspectors used. A total of 175 auction markets with 237 sets of buyers in 1965 operated during the year--the same as during the previous year.

m. Volume of Tobacco Inspected by Class.Fiscal Year 1965 and Estimated 1966 and 1967

Class of Tobacco	:Number of Auction :Markets Designated: : and Inspected	: Sets : of : Buyers:	: Quantity In- : spected and sold :(thousands pounds)
Auction Markets:	:	:	:
Flue-cured	93	: 144	: 1,475,270
Fire-cured	8	: 12	: 50,829
Dark air-cured	9	: 5	: 24,405
Burley	61	: 71	: 646,822
Maryland	4	: 5	: 40,885
Total auction markets	175	: 237	: 2,238,211
Cooperative Marketing Assns.:	:	:	:
Auction types	--	: --	: 412,414
Non-auction types	--	: --	: 8,638
Total, Coop. Mktg. Assns.	--	: --	: 421,052
Total, 1965	175	: 237	: 2,659,263
Estimated 1966 (Auction Markets Only) ..	175	: 237	: 2,050,000
Estimated 1967 (Auction Markets Only) ..	175	: 237	: 2,050,000

n. Commodities Inspected and Graded on a Fee Basis (Agri. Mktg. Act) Fiscal Years 1965-1967

Commodity Group	Unit	1965	1966 Est.	1967 Est.
<u>Fresh fruits and vegetables</u>				
Receiving markets	Carlot	88	90	90
Shipping points	equiv.	1,291	1,325	1,325
Total	(thousands)	1,379	1,415	1,415
<u>Processed fruits and vegetables</u>				
Canned	million cases	225	225	250
Frozen, dried and other	million lbs.	4,505	4,475	4,475
<u>Dairy products</u>				
Butter, cheese, milk, etc.	million lbs.	4,094	4,012	4,022
<u>Poultry products graded</u>				
Shell eggs	million cases	40	42	44
Processed eggs	million lbs.	640	635	629
Poultry	million lbs.	5,168	5,370	5,500
<u>Poultry products inspected</u>				
Poultry and rabbits	million lbs.	4	4	4
<u>Grain and related products</u>				
Rice, beans, peas	million bags	77	78	78
Hops	thous. bales	245	250	250
Hay	thous. tons	11	11	11
Seed verification	million lbs.	1/ 7	--	--
Misc. commodities	certificates	149,311	55,000	55,000
<u>Meat and meat products</u>				
Beef	million lbs.	10,259	10,500	10,500
Veal and calf	million lbs.	170	170	170
Lamb and mutton	million lbs.	355	350	340
Miscellaneous	million lbs.	1,159	1,500	2,000
Total meat & meat products ..	million lbs.	11,943	12,520	13,010
<u>Cottonseed</u>	certificates	91,456	110,000	110,000
<u>Cotton micronaire</u>	thous. tests	8,166	9,540	3,550
<u>Naval Stores</u>				
Rosin	thous. drums	316	300	275
Turpentine	thous. gal.	3,223	3,062	2,900

1/ Discontinued as of September 1, 1965.

o. Revision in fees and charges in fiscal year 1965 and plans for 1966

<u>Commodity and Service</u>	<u>Action on Fees</u>	<u>Effective</u>
<u>Cotton</u>		
Micronaire readings for farmers' cotton classed under Smith-Doxey program	Reduced from 6¢ per sample to 5¢ per sample	June 15, 1965
Micronaire readings for cotton classed under the U. S. Cotton Standards Act, including CCC sales.	Reduced from 10¢ per sample to 8¢ per sample	June 15, 1965
Revisions in Fees for Fiber and Processing Tests:		
Micronaire fee (at lab) on blended sample.	Reduced from 75¢ to 25¢	August 15, 1965
Combination fiber test 29.1 a	Reduced from \$3.75 to \$3.25	August 15, 1965
Combination fiber test 29.1 b	Reduced from \$2.00 to \$1.50	August 15, 1965
USDA Calibration cottons to include air mail delivery within U. S.	Increased from \$7.50 to \$8.50	August 15, 1965
USDA Calibration cottons to include air mail delivery outside U. S.	Increased from \$7.50 to \$9.50	August 15, 1965

Effective with the 1966 fiscal year, licensed cottonseed chemists will be charged 30¢ for each cottonseed grade certificate issued on cottonseed graded without the linters factor.

Dairy

Study underway and revision expected early in calendar year 1966. *

Fruits and vegetables

Continuous in-plant inspection service (seasonal)	Fee changed from \$6.00 per hour to \$1.00 per 100 cases but no less than \$6.00 per hour	May 1, 1965
Citrus under Florida Code	Fee decreased from \$0.01 per case to \$0.0085 per case	Nov. 2, 1964
	Fee decreased from \$0.0085 to \$0.0080 per case	Nov. 1, 1965

Raisins under Marketing Order	Fee increased from \$1.35 per ton to \$1.65 per ton	Sept. 1, 1964
Dates under Marketing Order	Fee increased from 21¢ per cwt. to 23¢ per cwt.	August 1, 1964
Aflatoxin (chemical tests)	Fee reduced from \$20.00 to \$15.00 per sample	August 15, 1965

Grain

Review under way and
revision expected early in calendar year 1966. *

Livestock

Meat grading	Fee increased from \$7.40 to \$7.80 per hour *	November 21, 1965
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Poultry

Overtime and holiday work- Poultry Products Inspection Act	Fee increased from \$5.00 per hour to \$5.80 per hour Estimated increase from \$5.80 to \$6.20 per hour before end of year *	July 1, 1964
Voluntary inspection and grading	Fee for lot grading increased from \$5.60 to \$6.40 per hour The separate rate for overtime and holiday work was eliminated	July 1, 1964 July 1, 1964

Meat Inspection

Work performed for other government agencies and others on a fee basis	Fee increased from \$5.24 per hour to \$5.36 per hour Fee increased from \$5.36 to \$6.08 per hour *	Nov. 8, 1964 Nov. 7, 1965
Overtime and holiday work- Meat Inspection Act	Fee increased from \$6.00 per hour to \$6.08 per hour Fee increased from \$6.08 to \$6.32 per hour *	Nov. 8, 1964 Nov. 7, 1965
Laboratory work	Fee increased from \$6.72 to \$7.00 per hour *	Nov. 7, 1965

The following tables summarize obligations and sources of funds for this activity for Fiscal Year 1965 and Fiscal Year 1966.

* To meet increased costs due to P. L. 89-301, Federal Employees Salary Act of 1965.



Actual Cost of Inspection, Grading, Classing, and Standardization Activity
and Cost of Program to Taxpayer, By Work Project

FISCAL YEAR 1965

Work Project	Total Program Cost	Paid from Revenue Earned		Income to General Rev- : Treasury	Net Cost to Taxpayer	Percentage of Total Cost	
		Reimbursed to Appropriation	Total			Charged to Taxpayer	Covered by Revenue
		1/					

TOTAL, INSPECTION, GRADING, CLASSING AND STANDARDIZATION

Cotton and Cottonseed.....	6,291,152	567,785	1,138,298	5,152,854	3,208,319	30.9	69.1
Dairy Products.....	2,642,271	--	2,533,596	108,675	3,126	4.0	96.0
Fruits and Vegetables.....	8,857,653	238	7,871,458	986,195	3,732	11.1	88.9
Grain (US Grain Standards Act).....	2,786,165	103,330	103,330	2,682,835	588,840	75.2	24.8
Livestock, Meats and Wool.....	6,603,806	--	6,151,659	452,147	--	6.8	93.2
Meat Inspection.....	43,479,582	8,344,393	10,569,877	32,909,705	32,909,705	75.7	24.3
Naval Stores.....	60,838	--	17,109	43,729	43,357	71.3	28.7
Poultry Grading.....	5,314,254	--	4,996,690	317,564	317,564	6.0	94.0
Poultry Inspection.....	18,788,880	2,501,829	2,530,383	16,258,497	16,258,497	86.4	13.6
Rice, hay, beans, etc.	2,799,970	--	2,701,584	98,386	--	3.5	96.5
Tobacco.....	4,068,680	616,369	616,369	3,452,311	3,446,609	84.7	15.3
Total.....	101,693,251	12,133,944	39,230,333	62,462,898	58,552,607	57.7	42.3
Total excluding meat and poultry inspection: 39,424,789		1,287,722	24,842,371	13,294,696	9,484,605	24.1	75.9

1/ Includes amounts reimbursed by CCC for classing cotton (\$500,000) and grading tobacco (\$200,000) placed under loan.
Excludes reimbursement for Emergency Preparedness (\$74,334)

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service

Estimated Cost of Inspection, Grading, Classing, and Standardization Activity
and Cost of Program to Taxpayer, By Work Project

Fiscal Year 1966

Work Project	Total Program Cost	Reimbursed to : Appropriation:	Paid from Revenue Earned : Trust Funds :	Total	Paid From Appropriation	Income to General Revenue Fund : of Treasury :	Net Cost to Taxpayer	Percentage of Total Cost Charged to:Covered by Taxpayer : Revenue
		1/	<u>INSPECTION, GRADING, AND CLASSING</u>					
Cotton and cottonseed	\$6,150,900	\$1,385,100	\$462,000	\$1,847,100	\$4,303,800	\$3,131,900	\$1,171,900	19.1
Dairy products	2,593,500	--	2,545,000	2,545,000	48,500	3,500	45,000	1.7
Fruits and vegetables	9,129,800	--	8,562,000	8,562,000	567,800	3,700	564,100	6.2
Grain (US Grain Standards Act) ..	2,676,400	75,000	--	75,000	2,601,400	582,300	2,019,100	75.4
Livestock, meats and wool	6,689,100	--	6,479,000	6,479,000	210,100	--	210,100	3.1
Meat inspection	49,010,700	9,037,000	1,643,000	10,680,000	38,330,700	--	38,330,700	78.2
Naval stores	16,000	--	21,000	21,000	25,000	--	25,000	54.3
Poultry grading	5,501,500	--	5,235,000	5,235,000	266,500	--	266,500	4.8
Poultry inspection	20,503,300	2,645,000	30,000	2,675,000	17,828,300	--	17,828,300	86.9
Rice, hay, beans, etc.	2,877,500	--	2,846,000	2,846,000	31,500	--	31,500	1.1
Tobacco	4,131,500	880,000	--	880,000	3,251,500	6,100	3,245,400	78.6
Total	107,310,200	14,022,100	27,823,000	41,845,100	67,465,100	3,721,500	63,737,600	58.3
			<u>STANDARDIZATION</u>					
Cotton and cottonseed	334,000	--	--	--	334,000	57,150	276,850	82.9
Dairy products	57,400	--	--	--	57,400	--	57,400	100.0
Fruits and vegetables	376,800	--	--	--	376,800	--	376,800	100.0
Grain (US Grain Standards Act) ..	201,300	--	--	--	201,300	--	201,300	100.0
Livestock, meats and wool	220,800	--	--	--	220,800	--	220,800	100.0
Naval stores	14,300	--	--	--	14,300	365	13,935	97.4
Poultry grading	51,900	--	--	--	51,900	--	51,900	100.0
Poultry inspection	54,000	--	--	--	54,000	--	54,000	100.0
Rice, hay, beans, etc.	67,200	--	--	--	67,200	--	67,200	100.0
Tobacco	72,700	--	--	--	72,700	--	72,700	100.0
Total	1,450,400	--	--	--	1,450,400	57,515	1,392,885	96.0
			<u>TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION</u>					
Cotton and cottonseed	6,484,900	1,385,100	462,000	1,847,100	4,637,800	3,189,050	1,448,750	22.3
Dairy products	2,650,900	--	2,545,000	2,545,000	105,900	3,500	102,400	3.9
Fruits and vegetables	9,506,600	--	8,562,000	8,562,000	944,600	3,700	940,900	9.9
Grain (US Grain Standards Act) ..	2,877,700	75,000	--	75,000	2,802,700	582,300	2,220,400	77.2
Livestock, meats and wool	6,909,900	--	6,479,000	6,479,000	430,900	--	430,900	6.2
Meat inspection	49,010,700	9,037,000	1,643,000	10,680,000	38,330,700	--	38,330,700	78.2
Naval stores	60,300	--	21,000	21,000	39,300	365	38,935	64.6
Poultry grading	5,553,400	--	5,235,000	5,235,000	318,400	--	318,400	5.7
Poultry inspection	20,557,300	2,645,000	30,000	2,675,000	17,882,300	--	17,882,300	87.0
Rice, hay, beans etc.	2,944,700	--	2,846,000	2,846,000	98,700	--	98,700	3.4
Tobacco	4,204,200	880,000	--	880,000	3,324,200	6,100	3,318,100	78.9
Total	110,760,600	14,022,100	27,823,000	41,845,100	68,915,500	3,785,015	65,130,485	58.8
Total, excluding meat and poultry inspection	41,192,600	2,340,100	26,150,000	28,490,100	12,702,500	3,785,015	8,917,485	21.6

1/ Includes amounts reimbursed by CCC for classing cotton (\$1,285,400) and grading tobacco (\$480,000) placed under loan. Excludes reimbursement for Emergency Preparedness (\$78,200).

3. REGULATORY ACTIVITIES

Current Activities: Several marketing regulatory laws are administered under this project. These include the Federal Seed, Packers and Stockyards, U. S. Warehouse, Standard Container, Export Apple and Pear, Export Grape and Plum, and the Tobacco Seed and Plant Exportations Acts and the regulatory aspects of the Naval Stores Act. These laws regulate various marketing activities and the administration of each includes two or more of the following:

(1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) formal decisions involving payments on reparation awards; (5) ascertaining the reasonableness of rates and charges; (6) suspension or revocation of licenses or registrations; (7) issuance of cease and desist orders; (8) determination of adequacy of bond coverage; (9) audits of books and records; (10) investigating complaints and violations; (11) settling disputes; (12) handling of violations.

This project also includes assistance in obtaining and maintaining equitable and reasonable transportation rates and services on farm products and supplies.

Examples of Recent Progress and Trends:

I. Federal Seed Act

This law applies to agricultural and vegetable seeds in both interstate and foreign commerce. With respect to interstate shipments it requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for vegetable seed in interstate commerce.

Under memoranda of agreement with each of the 50 States, State seed inspectors report to C&MS seed testing laboratories any apparent violations of the Federal law which they detect in their sampling and testing of shipments for compliance with State seed laws. Findings of Federal tests and investigations of these apparent violations by Federal investigators are the basis for action against violators.

For imports, the Act requires that seed imported into the U. S. meet minimum standards of quality before being admitted into U. S. commerce. The U. S. Customs Service draws samples of seed offered for importation and sends them to C&MS seed testing laboratories to be tested for compliance with the Federal Seed Act. Imports which do not meet minimum quality standards are denied entry unless the defect is corrected.

- A. Interstate enforcement. In Fiscal Year 1965, 860 complaints of violation of the interstate provisions of the Federal Seed Act were received, less than in the previous year and 5% less than the average of the past five years. It is estimated that there were 3,825 violations of the Federal Seed Act in the United States last year. This indicates that C&MS is receiving reports on 22% of the violations that could be reported by the States. Apparent violations of the Act were reported by 36 States, one more than in 1964. 442 State seed inspectors were authorized to inspect seed subject to the Act.

Insofar as duties permitted, seed catalogs, trade magazines, and price lists were reviewed for improper advertising. C&MS continues to encounter advertising of seed that is illegal because of the misleading inference that may be drawn regarding such factors as seed quality and performance.

A public hearing was held in March 1965 in Washington, D. C. on proposed amendments to the regulations under the Federal Seed Act. Several proposed amendments were adopted. The amendments deal largely with changes in the rules for seed testing to bring them into conformity with changes made by the Association of Official Seed Analysts in their rules. Other amendments include: additions to the list of garden bean varieties that have a germination standard of 70 percent, and revision of the list of mercurials and similar toxic substances and recognition of new variety names for garden bean, sorghum, and sorghum-sudangrass hybrid.

- B. Import Enforcement. Importations under the Act of agricultural seeds from 30 countries amounted to 114 million pounds valued at 15.4 million dollars. Imports amounted to 46% of the previous fiscal year volume. The reduction in import volume is due to reduced demand for Canadian wheat varieties and the increased use of stored domestic stocks. This reduction in import activity has allowed greater emphasis on variety testing of domestic seed.

Importations of wheat seed were only about one-third the previous year. The trend of the past few years to import less wheat seed from Canada has continued and accounts for the major portion of the decrease. Other agricultural seeds were 72% of the previous year though vegetable seeds remained normal.

Of the 7,379 lots offered for importation, 98.7% were admitted. Ninety-eight lots were found unfit for seed purposes.

A summary of the interstate enforcement activities is shown in the following table:

Interstate Activity	Fiscal Year					
	1962	1963	1964	1965	1966 Est.	1967 Est.
Cases for investigation:						
Total to be investigated	1,543	1,351	1,442	1,388	1,506	1,506
Investigations completed	1,100	777	914	882	1,000	1,000
Pending at end of year	443	574	528	506	506	506
Administrative actions:						
No action warranted	369	281	238	204	200	200
Warnings issued	713	460	647	588	600	600
Cited for hearings	120	110	145	190	200	200
Seizures recommended	3	10	1	2	5	5
Prosecutions recommended	32	28	26	23	25	25
Court actions:						
Prosecutions	28	34	28	22	25	25
Prosecutions pending at end of year	29	22	20	21	20	20
Seizure actions terminated	5	4	2	3	5	5
Seizure actions pending at end of year	1	7	6	5	5	5

Factors involved in reported violations during the past 5 years are shown in the following table:

Factor	Percent				
	1961	1962	1963	1964	1965
Germination	25	28	30	27	30
Noxious-weed seeds	12	16	13	14	21
Purity	14	17	20	19	12
Treatment	a/	a/	a/	5	3
Variety	7	4	5	11	12
Advertising	27	10	8	5	7
Not labeled	1	3	1	1	1
Miscellaneous (incomplete labeling, misleading statements, etc.)	14	22	23	18	14

a/ Included in the miscellaneous percentages.

Import work is shown in the following table:

Activity	Fiscal Year						
	1962	1963	1964	1965	1966	Est 1967	Est.
Total import actions <u>1/</u>	13,852	16,057	13,098	7,532	10,000	10,000	10,000
Lots offered for importation	13,682	15,805	12,900	7,379	10,000	10,000	10,000
Lots permitted entry	13,582	15,728	12,793	7,309	9,900	9,900	9,900
Lots denied entry	100	77	107	70	100	100	100
Kinds of seed imported	122	126	125	130	125	125	125
Pounds of seed imported (millions) ...	263.7	312.0	250.1	115.1	150.0	150.0	150.0

1/ Includes action taken on lots rejected once and acted on again after cleaning etc.

C. Seed Testing. The volume of testing work done on seed of both foreign and domestic origin is shown on the following table:

Activity	Fiscal Year						
	1962	1963	1964	1965	1966	Est 1967	Est.
Seed samples tested in connection with:							
Imports	14,167	16,707	13,121	7,607	10,500	10,500	10,500
Interstate shipments	1,989	1,420	1,636	1,728	2,000	3,000	3,000
Check tests	743	758	927	898	1,000	1,500	1,500
Varietal-identity growing tests	2,180	874	<u>1425</u>	<u>187</u>	<u>100</u>	<u>100</u>	<u>100</u>
Treated seed tests	114	280	<u>210</u>	--	--	--	--
Miscellaneous	380	674	657	565	1,000	500	500
Total tests	19,573	20,713	16,341	10,798	14,500	15,500	15,500

Note: Bracketed amounts are included in first three items and, therefore, not added in total.

II. Naval Stores and Tobacco Export Permits

Work under this project includes administration of 2 laws:

A. Naval Stores Act (Regulatory provisions). The regulatory aspect of this law protects users, particularly at the retail level, against adulteration of naval stores, misleading labeling, and short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

A total of 1,226 samples were examined in 1965, representing 91 shippers. This was a decrease of 185 from 1964. In addition 517 samples were collected from wholesaler and retailer outlets for testing and analysis. Of the total samples examined, 15 violations were found--2 of these were minor infractions which were corrected after warning or informal notification.

B. Tobacco Seed and Plant Exportation Act. This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U. S. except for experimental purposes. In 1965, 50

certificates were issued for the export of tobacco seed to be used for experimental purposes.

III. Packers and Stockyards Act

This program is designed to assure free, open, and fair competition and fair practices in the marketing of livestock, live poultry, meat and dressed poultry. It protects consumers against unfair business practices in the marketing of meat and poultry. It protects members of the livestock marketing and meat industries from unfair, deceptive, unjustly discriminatory and monopolistic practices of competitors. The meat packing and poultry industries are undergoing vast changes in marketing structure including concentration of buying power, increased vertical integration and new merchandising and pricing practices as well as new procurement methods. These practices are investigated and their economic effects upon competitive conditions in the livestock, poultry, and meat industries are evaluated to determine their compliance with the Act.

Investigations are conducted to determine that the operations of packers and retail organizations do not involve the proscribed mal-practices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations is determined to guard against loss to persons and firms dealing with them. When violations or insolvencies are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, market agencies, and dealers are investigated and audited to assure that their business practices are fair, in free, open competition, that they are financially sound, and that adequate services and facilities are furnished by stockyards and market agencies at reasonable and nondiscriminatory rates and charges.

To assure accurate weights the Department also supervises the testing, maintenance, and operation of scales used in transactions subject to the Act.

The law also provides for reparation for anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

A. Federal-State relations. The Federal-State program, begun in 1964 with agreements entered into with the State Departments of Agriculture of Michigan and Georgia, was expanded. The value of this program, as shown by the 1964 experience, in improving cooperation and coordination in the livestock and meat marketing field with respect to regulatory matters, aroused the interest of other States in such cooperative agreements. As a result, Memorandums of Understanding were signed during 1965 with the States of Colorado, Nevada, Oregon, Vermont, Virginia, and Washington. The agreement with Washington includes, for the first time, cooperation with respect to poultry regulatory matters.

As of November 10, 1965, 7 additional States--West Virginia, California, New Mexico, Utah, Montana, Wyoming and Idaho--had entered into cooperative agreements.

- B. Poultry investigations. The investigation of marketing practices in the broiler industry continued during 1965. The material developed thus far is under analysis and study.

As the broiler industry developed into a new and integrated system closely tied to the feed industry, numerous complaints have been filed alleging various unfair practices and restrictive competitive conditions. Complaints continue to be received involving false accounting, failure to pay, and violation of contract terms. Also complaints are being received alleging restrictions on competition with respect to procurement of poultry by major food retailers not only in connection with broilers but also turkeys and other poultry.

A formal complaint (P&S Docket 3497) was issued against three firms operating in Arkansas involving the boycotting of certain poultry producers in that State. Hearings were held in June and September 1965 to present the Government's case.

- C. Meat merchandising and procurement practices. Several meat promotion practices involving gifts or refunds by a number of large meatpackers were investigated. Two of the packers investigated agreed to formal orders requiring them to cease and desist from conducting point promotion programs involving gifts to employees of retail food chains. Voluntary discontinuance of this practice by practically all other firms is being obtained.

A hearing was held during the year in connection with a complaint issued against a firm alleging an unfair bacon sales promotion program involving sales below cost. This matter is now before the Hearing Examiner.

A number of investigations were initiated during the year into packer-food retailer relationships and food chain procurement practices with respect to meat.

- D. Accurate scales and weighing. In 1965, the regulations were amended to require all monorail scales in packing plants used for the purchase of livestock on dressed weight to be tested twice a year. This program will include approximately 800 scales. There has been an increasing trend toward marketing livestock on a dressed weight basis. Approximately 4 percent of all livestock is now handled in this manner. Experience gained in Arkansas and Georgia indicated that poultry scales and weighing practices should be subject to

similar requirements as are now in effect in the livestock and meatpacking industries. A pilot study in one State shows that approximately 1/3 of the scales are in excess of the allowable tolerance for accuracy.

In 1965, 22.9 percent of the scales tested were found to be inaccurate. The estimated average error is 0.5 percent. The total value of livestock marketed was about \$11 billion. Thus the estimated error due to faulty scales is \$12,595,000 for the year.

Checkweighing investigations were made at 363 markets in Fiscal Year 1965, with indications of false weighing at 84 scales, or 23% of the scales where checkweighing occurred. The average shortage was 3/4 of 1%. These data, if projected against the value of the livestock marketed, reveal estimated losses to producers of about \$19 million.

E. Jurisdictional Activities under the Packers and Stockyards Act.

Activity	Fiscal Year					
	:	:	:	:	:	:
	: 1962	: 1963	: 1964	: 1965	: (est.)	: (est.)
Yards posted	: 2,272	: 2,250	: 2,259	: 2,255	: 2,250	: 2,250
Market agencies and dealers	:	:	:	:	:	:
registered	: 16,983	: 16,899	: 16,803	: 16,477	: 16,500	: 16,500
Packers under supervision .	: 3,240	: 3,284	: 3,251	: 3,210	: 3,300	: 3,300
Poultry dealers licensed ..	: 687	: 652	: 569	: 503	: 500	: 500

F. Complaints Investigated and Formal Proceedings under the Packers and Stockyards Act.

Activity	Fiscal Year					
	:	:	:	:	:	:
	: 1962	: 1963	: 1964	: 1965	: (est.)	: (est.)
Complaints received	: 2,230	: 2,724	: 3,512	: 4,877	: 5,000	: 7,000
Investigations and audits .	: 1,801	: 2,301	: 3,062	: 3,584	: 3,605	: 4,025
Cases pending start of year	: 156	: 189	: 244	: 372	: 324	: 181
New and reopened cases	: 244	: 356	: 466	: 371	: 417	: 447
Cases disposed of	: 211	: 301	: 338	: 419	: a/ 560	: 435
Cases pending end of year .	: 189	: 244	: 372	: 324	: 181	: 193

a/ Includes 166 reparation cases against one firm.

IV. Standard Container Acts

The two laws administered under this project (Standard Container Act of 1916 and Standard Container Act of 1928) are designed to protect the public from losses due to short measure or deceptive containers for fresh fruits and vegetables. The containers involved are berry boxes, till, climax, and splint baskets, hampers and round stave baskets. The objectives are attained largely through cooperation with manufacturers in the development of standard specifications and systematic inspection and testing of containers at the factory or in the Washington laboratory. No prosecutions by court action for violations of these acts have been necessary in over 20 years.

- A. Amendment to law. The Standard Container Act of 1928 was amended August 30, 1964 (P.L. 88-516) to provide 5 additional sizes of standard containers and to require that all containers manufactured under the law be clearly marked to show capacity in bushels or quarts. The Act established standard sizes for hampers, round stave baskets and splint baskets used for fresh fruits and vegetables. The amendment, sponsored by container manufacturers, is intended to permit them to compete more actively with manufacturers of other types of containers, such as wirebound and fiberboard boxes which are not subject to regulation. The marking requirement, suggested by C&MS, is intended to eliminate the possibility of deception in view of the increased number of standard sizes permitted.
- B. Activity during 1965. During 1965 sample containers were obtained from 95 factories. Capacity examinations were made of 374 items involving 2,380 samples. 111 items required correction compared to 100 for the previous year. Certificates of approval were issued for 26 items.

V. U. S. Warehouse Act

The primary objectives of this law are to (1) protect producers and others who store their property in public warehouses, including the Commodity Credit Corporation which has large quantities of stored products in licensed warehouses; (2) facilitate credit required to maintain large stocks of stored products and to assist in their marketing; and (3) set and maintain a standard for sound warehouse operation.

To achieve the objectives of the Act C&MS licenses and bonds public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operations of those licensed to assure compliance with the Act. Applications for licenses are filed on a voluntary basis. Before licensing, applicants' storage facilities and operations are examined to determine that they qualify for licenses under the terms of the Act and regulations. The Act provides for periodic examinations of licensees

and licensed warehouses and their contents. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products and are vital instruments in the marketing and financing of the products--the aggregate value of which may be \$3 billion or more at any one time.

A. Licensing activity. Licensing continued at a substantial rate during fiscal 1965, with 124 new licenses and 401 amended licenses issued. This is a total of 525 such actions compared with 620 in the preceding year. During the year 113 licenses were terminated and 22 were suspended. Eleven of the latter were reinstated. This activity resulted in an increase in the licensed storage capacity for cotton, from 14,660,649 bales, to 15,560,899 bales while licensed grain capacity increased from 1,359 million bushels to 1,412 million bushels. The potential demand for new licenses is large. Only 30% of the nation's commercial grain storage capacity and 65% of the commercial cotton storage capacity are now licensed.

The following table illustrates the trend in the number of licensed warehouses and capacity, by major commodities during past years:

As of June 30	:	Total	:	Capacity (millions)	
				Grain	Cotton
		Number		(Bushels)	(Bales)
1940	:	1,291	:	188	10.1
1950	:	1,483	:	380	11.0
1956	:	1,587	:	711	12.6
1957	:	1,652	:	774	13.5
1958	:	1,682	:	846	13.3
1959	:	1,710	:	1,030	13.3
1960	:	1,742	:	1,188	13.5
1961	:	1,753	:	1,281	13.6
1962	:	1,792	:	1,309	13.7
1963	:	1,799	:	1,299	14.1
1964	:	1,824	:	1,359	14.7
1965	:	1,835	:	1,412	15.6
1966 (Est.)	:	1,920	:	1,500	16.1
1967 (Est.)	:	1,950	:	1,560	16.3

B. Supervisory examination activity. Licensed warehouses were examined at a rate of 1.28 examinations per cotton warehouse (1.56 in 1964) and per grain warehouse 1.88 (1.78 in 1964). Total supervisory examinations were 3,211 in 1965 compared with 3,374 in 1964. The increase of cotton stocks and cotton capacity is largely responsible for this decreased rate of coverage.

The following table reflects the trend of grain warehouse examination workload since 1958:

Fiscal Year	Grain Examiner (man-years)	Licensed Grain Capacity (million bushels) as of June 30	Workload per Man-year (Million bushels)
1958	26.0	846	32.5
1959	28.1	1,030	36.7
1960	31.5	1,188	37.0
1961	30.0	1,281	42.7
1962	31.1	1,309 <u>a/</u>	42.1 <u>a/</u>
1963	34.6	1,299	37.5
1964	33.3	1,359	40.8
1965	33.5	1,412	42.1
1966 (Est.)	37.0	1,500	40.5
1967 (Est.)	39.0	1,560	40.0

a/ Does not include capacity of 80 million bushels licensed during most of 1962 but suspended during the last quarter of the year. Actual workload per man-year, therefore, was 44.7 million bushels.

VI. Transportation Services

This program is established to provide better transportation service and reasonable rates and charges for farm products that move to storage, to processing plants, and to markets as well as on farm production supplies that move to farms. It is authorized by the Agricultural Adjustment Act of 1938 and the Agricultural Marketing Act of 1946. The work is carried on in cooperation with farm organizations, producers, and shippers of agricultural products; with other government agencies; and with carriers. Efforts are directed primarily toward obtaining the most advantageous transportation environment for the agricultural community.

Transportation rate structures changing. Many of the transportation rate structures on agricultural commodities are changing as a result of intense inter-modal competition. While reducing the cost of transportation, the changing rate structure affects the marketing structures for many agricultural commodities. Production, processing and market location are affected. Rate reductions given by the railroads in one producing area but not in another where competition does not exist can cause loss of markets if not offset by other economic advantages. Lower rates on wheat, which cost less to transport than flour, can and do cause serious problems for midwestern millers who find it difficult to market in the area to which the lower wheat rates apply. Unit train rates and multiple-car rates offer vastly lower rates for the large volume shipper, and thus have a direct bearing on the size and number of firms in an industry. Mileage rates favor those located close to their markets. Elimination of transit privileges creates advantages to those marketing or processing facilities located in the origin or destination area, and disadvantages to those at intermediate locations.

Thus, the transportation program this year involved a more intensified, comprehensive and long range analysis of the nature of carrier rate and service changes and their effects on producers', processors', exporters', and other marketers' operations than ever before.

During 1965, the Department presented evidence in 102 rate adjustment activities before carrier rate bureaus or regulatory agencies. Activities of substantial importance to agricultural producers, as well as marketing agencies and consumers, included the following:

- A. Reduced rates for westbound wheat. The Department continued to support wheat producer groups in the hard red spring wheat area in their efforts to obtain reduced westbound export rates that would enable the U. S. to supply the Asian dollar markets. After a number of meetings with the railroads, new rates became effective June 11, 1965, representing reductions of from 5 to 25 cents per hundred pounds. This will permit hard red spring and durum wheat to reach Pacific ports at competitive prices.
- B. Adjustment in rates for fruits and vegetables shipped to New York City. The Department participated in an action before a United States District Court involving railroad rates on fruits and vegetables shipped to New York City. The railroads had challenged an Interstate Commerce Commission decision ordering the carrier to stop charging \$57.00 per car more on fresh fruits and vegetables moving to certain New York City stations than on similar shipments moving to other stations within the same rate base group. The Department supported the Commission's decision which was upheld by the District Court. It has been estimated that removal of this added freight charge will save New York City consumers almost a million dollars a year in the costs of fruits and vegetables.
- C. Cotton freight rate adjustment pending in ICC. Continued support was provided for a major freight rate adjustment on cotton in a proceeding before the ICC. The Department intervened in the case on behalf of a large cotton cooperative and other producers in support of the granting by the railroads of an allowance for trucked-in cotton from gins to compress points. It is estimated that these allowances will increase farm income of cooperative members in the Southwest by more than \$500,000 annually and will benefit nonmember producers proportionally. The Department filed exceptions to an ICC Examiners' report which proposed that the allowances be cancelled. The matter is still pending before the ICC.
- D. Work continued on rates for feed grain and soybean meal. Worked with producer and shipper organizations in the far western States to secure lower rates on feed grain and soybean meal for poultry and livestock industries located in the Western States. Several meetings were held with Western producer interests to develop a proposed rate adjustment. Participated in negotiation sessions with railroad officials and presented evidence in support of the requested reduction at two public hearings. Final action by the railroads is pending.

- E. Grain producers in Midwest benefited by freight rate adjustment.
A major freight rate adjustment was realized in the Midwest which was very important to grain producers in this area. Rates on wheat and other grains were reduced 10 cents per 100 pounds from country points to the primary markets. As the reductions affected the rates which determine country prices to producers as well as country loan values, prices paid to producers were increased 6 cents per bushel. The Department supported this adjustment at a public hearing.
- F. Work continued on grain rate adjustments within Eastern Territory.
Continued to work for rate adjustments within the Eastern Territory on grain and grain products. Reductions are needed to enable eastern livestock and poultry producers to obtain feed grains at reduced costs so as to be competitive in the eastern markets with other producing areas. Accomplishments included a modification of last year's reduced non-transit mileage rates that lessened the competitive freight rate disadvantage to New England and extension of the reduced grain rates to include origins in Illinois. The Department also supported proposals, still pending to allow storage and processing in transit under the lower grain rates and to reduce the present transit group grain rates by about 4 cents a hundredweight.
- G. Participation in various commodity rate adjustment cases.
Participated in other cases involving such divergent subjects as milling in transit of winter wheat at Minneapolis, assessment of switching charges on carloads of grain weighed through elevators, an ICC investigation of "piggy-back" rules and practices, increased charges on all export traffic, express rates on flowers, icing charges on fresh produce, stopping in transit charges, user charges on special equipment, simplification of livestock rate tariffs, changes in livestock rules, negotiations of wool rate reductions, cancellation of obsolete ICC rate orders on hay, an ICC investigation into the handling of carrier cost evidence in formal cases, increased rates on vegetables, proposed railroad merger, proposed reduction in free time allowed at ports, increased motor carrier rates on frozen fruits, berries and vegetables, reduced demurrage time, several cases involving rate parity to various ports, reduced rates on seed potatoes and increased wharfage charges at West Coast ports.

Cooperation and assistance was extended to farm organizations and State Departments of Agriculture in transportation matters. Personnel participated in several transportation workshops and provided orientation in transportation work to several State Departments of Agriculture employees. Prospects are good for further expansion of this activity.

VII. Export Fruit Acts.

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote foreign trade of the United States in these fruits; to protect the reputation of American-grown fruits in foreign markets; and to prevent deception or misrepresentation of the quality of these products moving in foreign commerce.

During the year, 65 carriers' offices were visited involving 145 exporters and 2,030 lots of fruit. The Acts and regulations were explained to carrier personnel and files were checked for compliance with certificate filing requirements. Cases involving three exporters and three carriers were referred to the Department of Justice. At the end of the fiscal year, 3 cases were under investigation.

VIII. Federal Cost of Regulatory Activities

	:	1965	:	1966 Est.	:	1967 Est.
Total cost of activity	:	\$4,223,717	:	\$4,402,590	:	\$4,717,990
Less reimbursements	:	11,885	:	3,390	:	3,390
Paid from appropriation	:	4,211,832	:	4,399,200	:	4,714,600
Less income to General Revenue	:		:		:	
Fund of Treasury	:	110,195	:	115,790	:	116,390
Net cost to taxpayer	:	4,101,637	:	4,283,410	:	4,598,210
Percent of total cost charged to taxpayer	:	97.1	:	97.3	:	97.5
Percent of total cost covered by revenue	:	2.9	:	2.7	:	2.5

4. ADMINISTRATION AND COORDINATION OF STATE PAYMENTS

Current Activities: Federal leadership and coordination are provided for the matching fund marketing service programs carried on by States and financed, in part, by Federal funds appropriated under the item "Payments to States and Possessions."

The principal Federal responsibilities in this program are to assist each cooperating State in developing and directing its programs; to analyze and evaluate projects submitted by the States; and to conduct periodic audits, examinations, and re-evaluations to insure effective use of the matched funds paid to States. Information on the application of research results and on best known techniques from other States, USDA programs and industry is furnished each State as it becomes available.

During 1965, matching fund marketing service work was conducted under 145 projects adapted to individual State and local marketing problems in 44 States.

This compares with 138 projects in 43 States in 1964. Members of the staff visited 30 States cooperating in the program in order to (1) assess the progress being made; (2) assist with operating problems; and (3) make known improvements developed in other States.

A three-day National Marketing Service workshop was held in Louisville, Kentucky, in November 1964. The central theme for discussion, "The Emerging Marketing Structure and How to Meet It Through Marketing Service Programs," gave marketing specialists an opportunity to learn of the many significant and far-reaching changes taking place in agricultural marketing. In the discussions following formal presentations by outstanding Federal, State, and industry leaders, the workshop participants considered what adjustments need to be made by State and Federal agricultural marketing agencies to assure that future marketing service and regulatory programs will perform an effective and timely role in the emerging marketing structure. About 250 persons from 40 States, Canada, and the District of Columbia attended the workshop.

For 12 consecutive years, these workshops have proved to be an invaluable meeting ground for marketing service personnel from the States, not only for discussing mutual problems, but in learning of new developments in agricultural marketing and in the exchange of new concepts and procedural techniques among States, between USDA and the States, and between States and industry groups.

Two special conferences were held in conjunction with the workshop to review (1) progress being made in dairy herd replacement and standards and (2) current and future market development and promotion activities and possible formation of a national association of farm product promotion specialists.

(b) Payments to States and Possessions

Appropriation Act, 1966 and base for 1967	\$1,750,000
Budget Estimate, 1967	<u>1,750,000</u>

PROJECT STATEMENT

Project	:	1965	:	1966	:	1967
	:		:	Estimate	:	Estimate
Payments for marketing	:		:		:	
service work under Sec.	:		:		:	
204(b) of the Agricultural	:		:		:	
Marketing Act of 1946	:	\$1,500,000	:	\$1,750,000	:	\$1,750,000

STATUS OF PROGRAM

Current Activities:

This program is designed to bridge the gap between research and its application by producers and marketing agencies, in addition to implementing the best known and most effective marketing methods and practices. It enables States to put into practical application these new and improved methods and practices which aid in expanding outlets, providing more reliable market data, improving bargaining strength, reducing deterioration and spoilage of farm products, moving seasonal commodity surpluses to their best market, and reducing marketing costs. The program also serves as a catalytic agent in the development of improvements in the marketing system through experimentation with new methods and procedures for increased efficiency and effectiveness.

The Federal payments, authorized by Section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U. S. Department of Agriculture and State Departments of Agriculture and similar State agencies for the conduct of eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

The amount of the Federal payment to a State is based upon an evaluation of the relative urgency of the marketing problems confronting the State, the probable effectiveness of the plan proposed by the State for solving or alleviating the problems, the ability of the State to carry out the proposed program, and the availability of Federal matching funds.

Work under this program is divided into five major activities:

1. Improving and maintaining quality of agricultural products. Firsthand training and assistance by experienced marketing specialists is provided producers and marketing agencies in (1) the use of official Federal-State grades and standards, (2) developing refinements in product specifications which supplement grades and standards and facilitate trading, (3) identifying the causes of quality losses occurring at the various stages of the marketing system and in taking corrective action, and (4) testing and applying more objective and accurate methods of measuring product maturity.
2. Developing new and expanding markets for agricultural commodities. Emphasis is placed on (1) State and Federal coordination of efforts to dispose of seasonal surpluses through such services as preparing and distributing to buyers information on the availability of products, including location, quantity, varieties, and expected harvest dates, (2) increases in consumption through the application of basic changes in grading, packaging, processing, and distribution methods, (3) trade

surveys to determine what improvements in product quality, grades and standards, and packaging are needed for better market acceptance, (4) assistance to industry groups to improve effectiveness of commodity promotional effects, and (5) providing consumers with information on official grades and quality characteristics of food offered in retail outlets.

3. Increasing marketing efficiency and reducing costs. State Departments of Agriculture assist producers and marketing agencies in (1) determining feasibility of and need for new or expanded marketing and processing facilities, such as livestock auctions, (2) assisting in designing new or remodeling old facilities, selecting and installing equipment, and planning market layouts, (3) demonstrating more efficient ways of performing various marketing operations such as packaging, storing loading and transporting, (4) apprising needed changes in management techniques and in effecting mergers and consolidations of two or more organizations where desirable in the interest of efficiency or broadening of product base, and (5) obtaining corrections of transportation rate inequities and inadequacies in transportation protective services.
4. Assembling and disseminating marketing information. Producers and marketing agencies are provided information and data needed in making both short- and long-term marketing decisions. Emphasis is placed on new methods and techniques for the collection and dissemination of such information and facts. These data relate primarily to regional, State, and local area situations and cover such items as prospective production, indicated harvest periods, crop quality, storage holdings, market movements, changes in consumer demands, and prices.
5. Improving the organizational structure of the marketing system. Producer groups and marketing agencies are assisted in organizing selling and bargaining efforts to deal more effectively with the volume requirements and quality specifications of today's mass merchandisers. Technical assistance and counsel are provided groups desiring to achieve these objectives through such methods as cooperative action and industry wide programs such as marketing orders under Federal or State authority, or affiliation with private firms under contract.

During 1965, marketing service work was conducted under the matching fund program in 44 States, with a total of 145 separate projects. Funds made available to the States have been effective in bringing about a closer relationship between the State groups and the entire national marketing structure. The interchange of information on projects and progress among the States and between the States and the USDA have made available the best known research results and technical assistance to the States. Methods and procedures developed in some States under this appropriation have been adopted by other States once the programs have become workable. Continuing efforts are made to adapt marketing programs in the various States to current needs and to improve their effectiveness and scope. States are constantly

being encouraged to develop new areas of service and to experiment with new approaches to marketing problems in order to assist producers and handlers of agricultural products to keep abreast of changes in the marketing structure.

Regional meetings have been held by States looking toward greater coordination in the fields of standardization, transportation, and market news. For example, early this year a meeting was held in Denver to explore coordinating the wheat quality surveys, conducted in North Dakota, Montana, Nebraska, Kansas and Colorado, between those States and with the wheat quality work in C&MS.

Work was undertaken on a cooperative New York-New England fruit tree survey, the first of a series of regional fruit tree surveys proposed during the next 5 years. The coordinated approach is also evidenced in a project initiated by the Oregon State Department of Agriculture in cooperation with Oregon and Washington State Universities and USDA. The objective is to determine the effect of applying different values to components of milk, such as fat, solids nonfat, and protein on the income of individual dairy producers and on dairy plant operations and costs. A dairy cooperative is furnishing over 80 percent of the State matching funds, and technical assistance is being provided by C&MS. This is the first instance where testing the three components is being conducted simultaneously on all milk received by a commercial dairy plant over an extended period. Results obtained will be analyzed and could provide a basis for changes in milk pricing which would have applications nationally.

The roadside market improvement work carried on by New Jersey has resulted in improving the quality of agricultural products and services provided by roadside markets. Since farm products pass through fewer hands the producers are in a position to obtain a larger proportion of the producer-consumer price spread.

Examples of Recent Progress and Trends:

1. Milk flavor program in Vermont increased use of fluid milk. Under a quality improvement project, milk handlers have made it a part of their regular program, to check flavor and assist the producers in overcoming flavor defects. Producers in the State have become aware of the importance of good milk flavor and have made many significant improvements in their handling practices and milking facilities. The 11 percent increase in milk use in Vermont was attributed primarily to the flavor improvement program. In 1964 emphasis on the project shifted from the farm to working with processors and retailers, in studying effect on milk flavor caused by new developments in handling, processing, packaging, and distribution.
2. Quality improvement of soft-serve and frozen dairy desserts. Oklahoma has been working with manufacturing plants and retailers to assure the sale of wholesome frozen dairy desserts to consumers. Samples of mixed

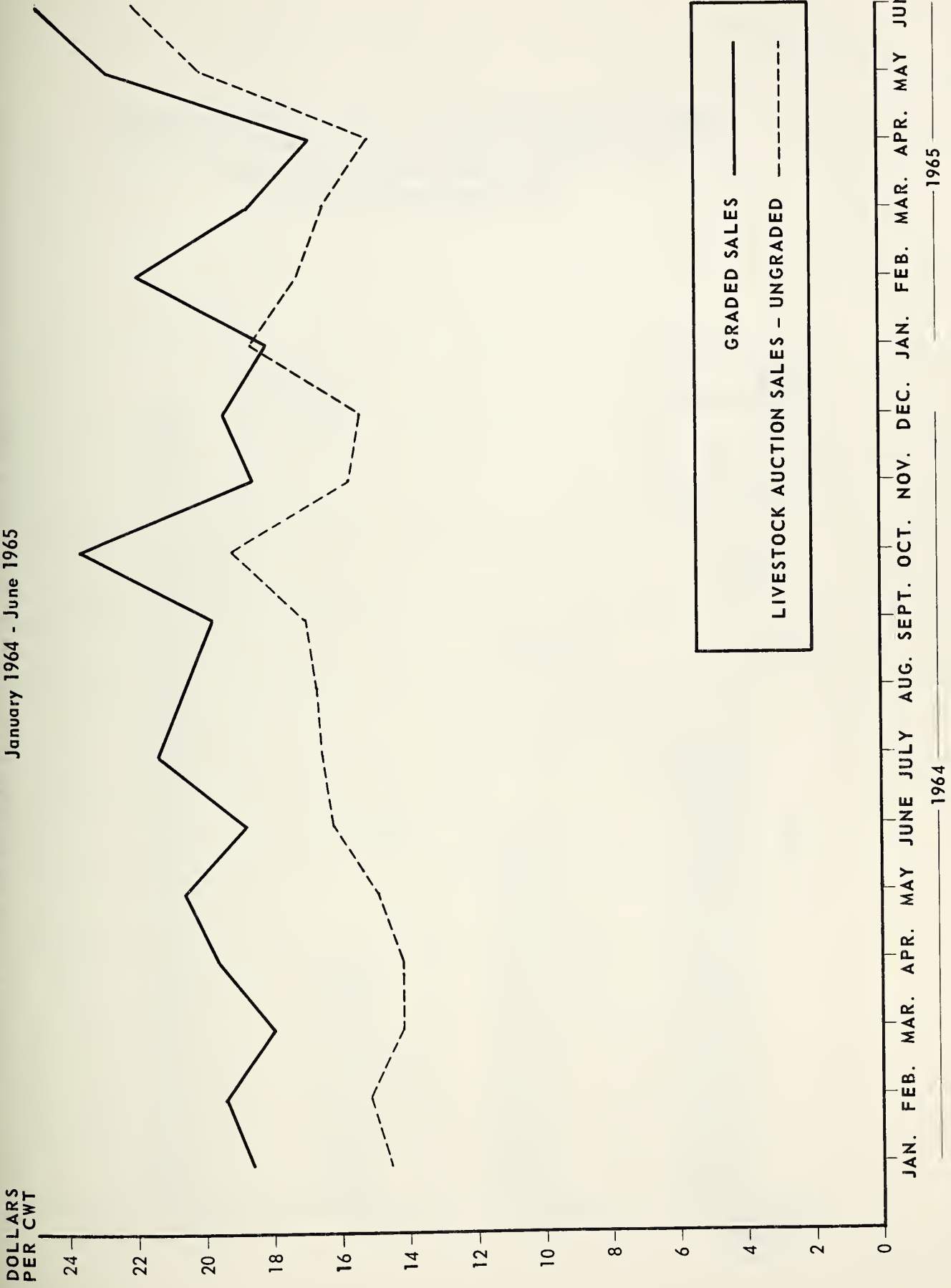
and finished products were collected from retail outlets for chemical, bacteriological, and organoleptic examinations. Manufacturing plants and retailers were provided assistance in making adjustments in handling and storage operations of these products. Data obtained is being analyzed to determine whether a revision in laws and regulations is needed concerning the manufacturing, handling and sale of these popular dairy desserts. In 1964, 11,000,000 gallons of these products were manufactured and consumed in the State.

3. Florida graded feeder pig sales yield higher returns to producers. (See Chart No. 1) These sales, organized by the Florida Department of Agriculture, enabled buyers to purchase high quality pigs in uniform lots and to obtain a larger proportion of their needs at one location. Increased buyer interest, generated by these sales, resulted in higher net returns to producers and also demonstrated advantages from improved breeding and management practices. Average prices received for pigs sold through graded sales were considerably higher than pigs sold through local auctions.
4. Dairy sales in retail supermarkets increased. (See Chart No. 2) A 12-month study of dairy departments in retail supermarkets, conducted by the Washington Dairy Products Commission created a great deal of interest among the large dairies servicing supermarkets and food chain organizations. By applying 3 basic merchandising techniques (departmentalization, sectionizing and vertical display) dairy sales in the 3 test stores were increased by an average of 21.7 percent, while gross margins increased 23 percent. Numerous store managers have revised their dairy departments in line with suggestions contained in a published report entitled "Increasing Dairy Section Sales."
5. Louisiana improves cotton ginning operations. (See Chart No. 3) Technical assistance provided cotton ginneries by Louisiana in the operation and adjustment of modern, complex gin machinery resulted in a very low percentage of damaged cotton in the ginning process and resulted in more desirable grades of cotton offered to the industry. This up-grading yielded an increase of about \$7 per bale to cotton producers. Statistics indicate that rough preparation of Louisiana cotton for the 1964 season was less than .05 percent, compared to 1.6 percent in 1951, the year these services were first provided. The average for the 10-year period prior to 1951 was 12.6 percent.
6. Mississippi commercial quail industry expanded. The Mississippi Department of Agriculture, assisted the relatively new commercial quail industry in planning facilities and selecting equipment specifically designed to handle this gourmet product. The State also worked with the industry in developing and expanding markets for the fresh-frozen ready-to-cook product. Since 1962, when commercial quail production was authorized by the State legislature, 8 plants have been licensed

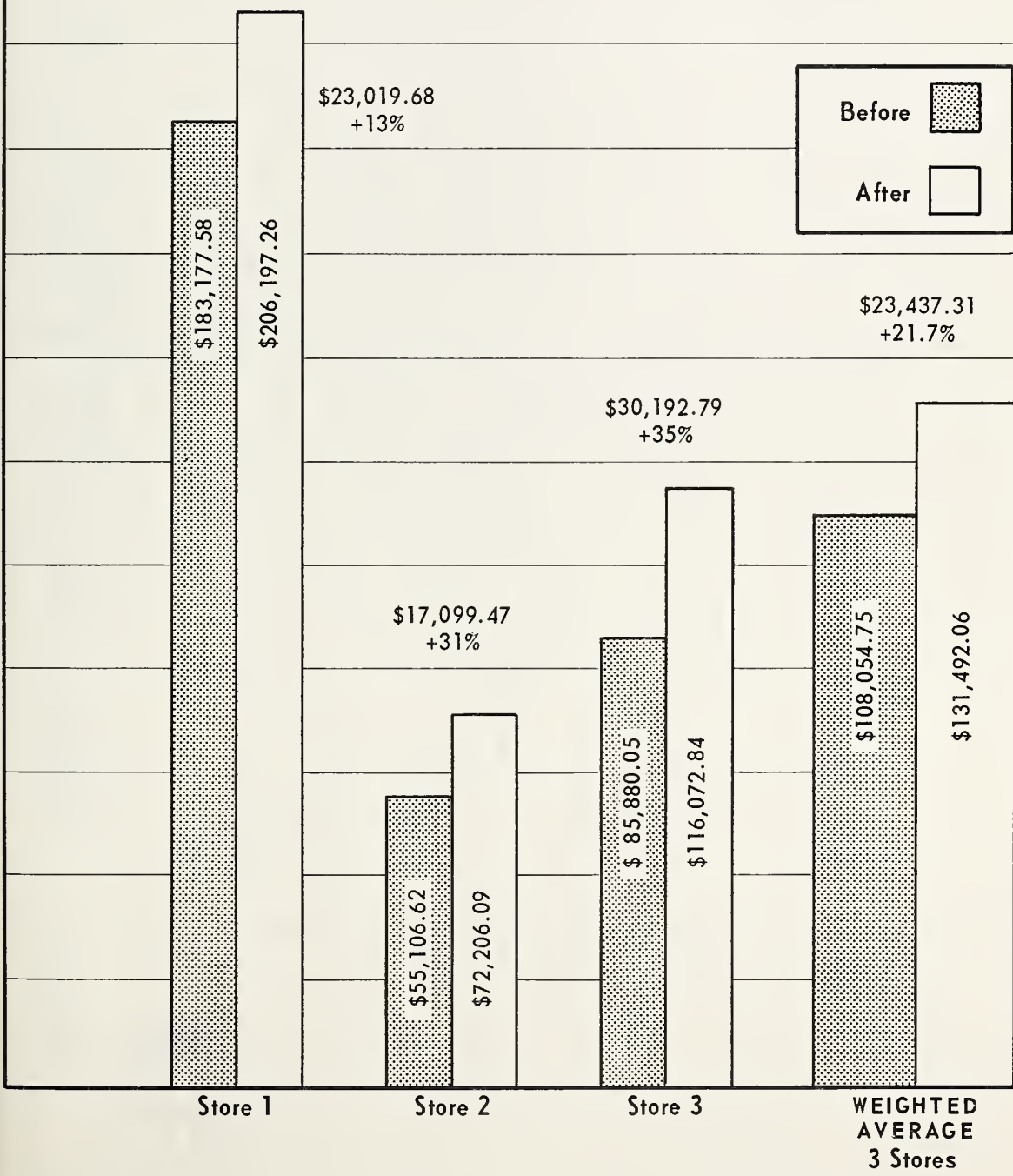
COMPARISON OF AVERAGE PRICE RECEIVED AT FLORIDA GRAIN AND FEEDER PIG SALES ORGANIZED UNDER MATCHING FUNDS WITH PRICES AT UNGRADED SALES

CHART No. 1

January 1964 - June 1965



INCREASE IN TOTAL SALES IN DAIRY SECTIONS OF THREE
WASHINGTON STORES AFTER FOLLOWING MERCHANDISING
PRINCIPLES RECOMMENDED UNDER A
MATCHING FUND PROGRAM



PERCENT

PERCENT OF ROUGH PREPARATION OF LOUISIANA COTTON DURING PERIOD OF
TECHNICAL ASSISTANCE TO GINNERS PROVIDED UNDER MATCHING FUND PROGRAM

1951 - 1964

10-year
average
prior to
1951

12.6

1.8

1.6

1.4

1.2

1.0

.8

.6

.4

.2

0

Less than .05%

1940-50 1951 1952 1953 1954 1955 1956 1957 1958 1959 1960 1961 1962 1963 1964

* Unusually wet season.

to process pen-raised quail, (classed as poultry under the State's Meat Inspection Act), and the industry has become a million dollar business.

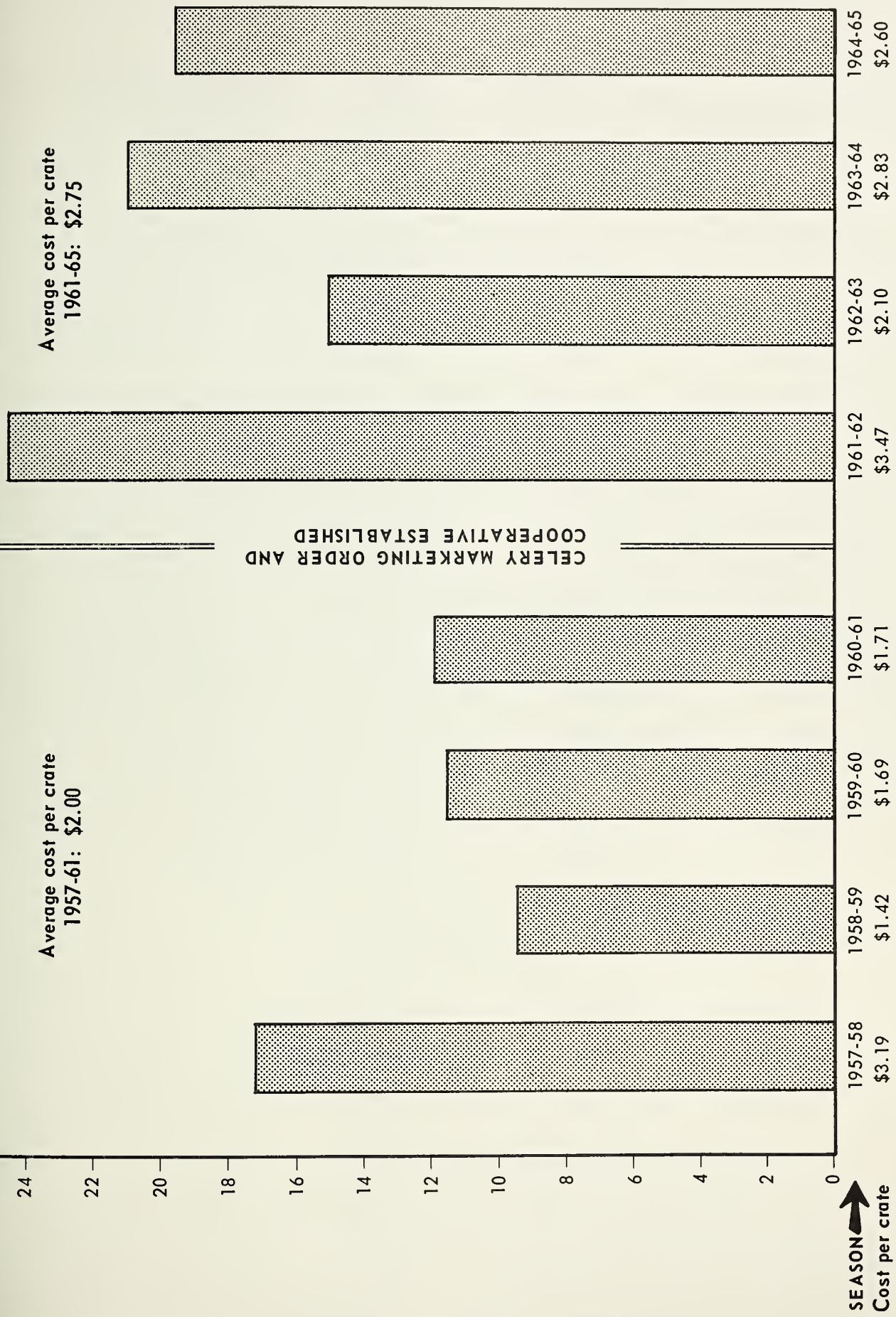
7. Virginia increases efficiency of egg facilities. Assistance provided management of an egg marketing cooperative resulted in reducing book-keeping costs \$120 per month and improved management practices increased plant efficiency 10 to 15 percent. Matching fund personnel assisted management in one egg grading plant in reducing carton costs \$2 per thousand by eliminating one carton design and purchasing egg containers on a bid basis from competing manufacturers rather than employing a negotiated price system.
8. Illinois Livestock Marketing Information Improved. At the request of producers and other segments of the livestock industry, Illinois conducted a pilot market news program to reflect the movement and prices on approximately 1,000,000 head of cattle and sheep sold throughout the State direct from producers to dealers and packers (bypassing terminal and auction markets). The data issued weekly in the "Interior Illinois Direct Cattle Report" enabled producers to make more intelligent marketing decisions and placed them in a stronger bargaining position.
9. Florida celery and sweet corn market improved. (See Chart No. 4) At the request of producers, the Florida Department of Agriculture assisted in establishing industry-wide cooperative marketing associations to implement State Marketing Orders for celery and sweet corn. In addition, assistance was provided in the standardization and improvement of the quality and pack as well as in inaugurating promotional and merchandising programs. Information supplied to the producers provided timely data on prospective supplies and helped regulate the market to coincide with market requirements. These efforts improved and stabilized returns to the growers. Even with a modest increase in the total volume sold during the 4-year period following the establishment of the Celery Marketing Order and the cooperative, the strengthened bargaining position of producers resulted in an increase of 37.5 percent in the average price per crate over the previous 4-year period.
10. Colorado beef feeders establish feeding and marketing cooperative. Colorado assisted a small group of beef feeders in establishing a feeding and marketing cooperative by developing guidelines, drawing up articles of incorporation, by-laws, marketing contracts, and working closely with the Board of Directors to insure success of this new venture. This organization, one of the few of this kind in the nation, showed promise of being a valuable tool in helping the small operator remain in the cattle business. When the cooperative attains the size necessary for an efficient feeding and marketing operation, feeders will buy and sell cattle each month instead of once or twice a year; feed will be purchased in greater quantities, and the year-round operation will make more efficient use of labor and equipment.

State participation by field of work:

<u>Field of work</u>	<u>1965</u>		<u>1966</u>	
	<u>No. of States</u>	<u>Payments</u>	<u>No. of States</u>	<u>Payments</u>
1. Improving and maintaining the quality of agricultural commodities	34	\$533,603	32	\$575,757
2. Increasing markets for agri- cultural commodities	24	405,278	26	489,345
3. Increasing marketing efficiency and reducing costs	14	136,620	16	189,383
4. Assembling and disseminating marketing information, in- cluding statistics	36	379,944	34	385,418
5. Improving organizational structure of the marketing systems	5	44,555	8	78,302
Undistributed.....		- -		31,795
		<u>\$1,500,000</u>		<u>\$1,750,000</u>

TOTAL VALUE AND AVERAGE PRICE PER CRATE RECEIVED BY FLORIDA
CELERY PRODUCERS, BEFORE AND AFTER ESTABLISHMENT OF STATE
MARKETING ORDER AND COOPERATIVE ASSOCIATION, 1957-65

MILLIONS OF
DOLLARS



Distribution of Payments: The distribution of the Federal payments by States for 1965 and 1966 are shown in the following table:

DISTRIBUTION OF PAYMENTS BY STATES

State	Fiscal Year 1965	Fiscal Year 1966
Alabama	28,000	28,000
Alaska	11,500	15,500
Arkansas	13,200	13,200
California	99,000	100,000
Colorado	20,287	20,144
Connecticut	7,000	12,300
Florida	75,000	95,000
Georgia	40,185	--
Hawaii	15,400	24,800
Idaho	--	8,500
Illinois	24,500	22,500
Indiana	50,000	70,000
Iowa	30,000	30,000
Kansas	55,000	64,000
Kentucky	33,000	43,500
Louisiana	74,941	90,000
Maine	50,000	46,000
Maryland	21,860	27,000
Massachusetts	12,593	15,900
Michigan	27,519	46,000
Minnesota	44,848	44,848
Mississippi	70,000	75,300
Missouri	49,000	45,500
Montana	12,900	13,000
Nebraska	8,250	18,250
New Hampshire	6,000	5,091
New Jersey	52,000	63,000
New Mexico	27,000	22,000
New York	65,212	92,500
North Carolina	58,400	78,000
North Dakota	44,181	39,204
Ohio	3,652	1,800
Oklahoma	28,000	33,000
Oregon	27,100	31,400
Pennsylvania	32,000	35,411
South Carolina	23,000	28,000
South Dakota	8,250	8,250

State	Fiscal Year 1965	Fiscal Year 1966
Tennessee	24,019	33,210
Texas	20,000	41,000
Utah	2,500	2,500
Vermont	11,008	10,548
Virginia	73,000	78,140
Washington	35,000	35,010
West Virginia	43,000	58,000
Wisconsin	42,695	52,899
	<u>1,500,000</u>	<u>1,718,205</u>
Undistributed	--	31,795
Total	<u>1,500,000</u>	<u>1,750,000</u>

Fiscal Year 1967 State funds available for this program are estimated at \$3,500,000.

(c) Special Milk Program

Appropriation Act, 1966	\$103,000,000
Budget Estimate, 1967	<u>21,000,000</u>
Decrease	<u>-82,000,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases & Decreases		1967 (Estimated)
			Increased (P.L. 89-301)	Other	
1. Cash payments					
to States	\$98,109,218	\$99,370,000	-\$5,000	-\$79,000,000	\$20,365,000
2. Operating					
Expenses	565,448	630,000	+\$5,000	- -	635,000
Unobligated					
balance	4,325,334	3,000,000	--	-3,000,000	--
Total increased					
pay costs					
(P.L. 89-301) ..	(--)	(15,000)	(+5,000)	(--)	(20,000)
Total available				(1)	
or estimate ...	103,000,000	103,000,000	--	82,000,000	21,000,000

(1) A decrease of \$82,000,000 in the appropriation for cash payments to States. The Program is being redirected in 1967 to furnishing milk solely to needy children and to children in schools which do not now have a food service program. With this change in emphasis less funds are needed.

The allocation of funds to states would be based on income, previous use and related factors to provide maximum recognition of need. This will provide free milk to approximately 1 million children. In addition, approximately 2 million children attending schools which do not now have any type of food service program would continue to buy milk at reduced prices under the program.

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STATUS OF PROGRAM

Current Activities:

The Special Milk Program is aimed primarily at increasing the consumption of fluid milk by children. Through fiscal year 1966, all nonprofit schools of high school grade and under, all nonprofit summer camps and child-care institutions devoted to the care and training of children, are eligible to participate in the program. From its inception in fiscal year 1955 through fiscal year 1962, the program was financed through advances from Commodity Credit Corporation funds. The Agricultural Act of 1961 (P. L. 87-128), approved August 8, 1961, changed the financing to a direct appropriation beginning July 1, 1962 and extended the authorization through June 30, 1967.

In 1965, milk consumed under the program, based on the 2,966.8 million half-pints reimbursed, was more than six times the quantity in 1955-- the first year of the program. The volume amounted to more than 2-1/2% of the total nonfarm consumption of fluid milk. This was in addition to the 2.9 billion half-pints used in the School Lunch Type A lunches.

Operation of the Program through fiscal year 1966, is as follows:

1. Assistance is provided in the form of reimbursement payments, to eligible schools, camps, and child-care institutions to help them to inaugurate a milk service, or to expand the existing service through reducing prices to children and establishing new times of service.
 - a. The maximum rate of reimbursement in schools, camps, and institutions where milk is sold as a separately priced item is 3¢ per half-pint. Schools which also serve Type A lunches in the National School Lunch Program may receive up to 4¢ reimbursement per half-pint. However, they may not claim reimbursement for milk served as part of the Type A lunch under the National School Lunch Program.
 - b. In those schools, camps, and child-care institutions that do not sell milk as a separate item, the reimbursement rate is 2¢ per half-pint for all milk served to children. In order to qualify for participation in the program the specific methods and practices by which milk consumption will be increased under the program must be submitted for approval.
 - c. A program was inaugurated in fiscal 1962 to provide special assistance to schools so that they could serve milk without charge to needy children. These schools were not participating

in the special milk program because poor local economic conditions prevented them from operating a food or milk service. In fiscal 1963 this phase of the program was made available to participating schools, not serving lunches, which had a large number of children unable to pay for their milk.

These schools must submit an application for this special assistance indicating:

- (1) The specific circumstances which would make them eligible for the program;
- (2) that this milk will be served without charge to needy children in the school.

The Federal reimbursement for milk served to needy children without charge may cover the full cost of milk to such schools. The level of Federal reimbursement for milk served to paying children in such schools is in accordance with the regular reimbursement as outlined above. During fiscal 1965, special assistance was also extended to schools having school breakfast programs operated primarily for the needy children in attendance.

- d. A notable feature of the program is its flexibility. It makes a major contribution to the nutritional well-being of children in all types of "away-from-home" group situations--such as supplementary feeding in schools at times other than the lunch hour--in schools in and outside of the National School Lunch Program, and in summer camps and other child-care institutions.
2. Procedures have been established to assure that maximum use of the reimbursement payments is made to reduce the price of milk for children as a means of encouraging increased consumption. Participating schools are permitted to use up to 1¢ to pay the cost of distributing the milk within the school. They may retain up to 1-1/2¢ for this purpose where justified by unusually high labor costs or the rental or purchase of equipment.
3. The program is administered within the States by the State agencies to the greatest extent possible. C&MS administers the program directly for private schools where the State agency is prohibited by law from disbursing funds to such participants, and in other outlets for which no State agency has assumed responsibility for administration. Based upon available funds, and prior year participation, letters of credit are issued to each State agency authorizing funds for the first half of the year. These letters are later revised to authorize additional funds as needed for the remainder of the year. In order to keep expenditures within the amounts available, reimbursements to participating outlets

which have been made at 5% less than the full amount of the claim vouchers since the beginning of the current fiscal year, will be subject to an additional discount of 5% beginning in February, 1966. If the rate of the program expenditure proves to be less than estimated, reimbursement payments will be increased before the end of the fiscal year within the limits of available funds. A similar arrangement was followed in fiscal year 1965.

4. In fiscal 1965, a Letter of Credit procedure was established. This permits State agencies to obtain funds to pay claims on hand by filing appropriate documents, through normal banking channels, with the Federal Reserve Banks. This assures that funds will be available to the States for prompt payment of claims, and insures that Federal funds will be withdrawn from the Treasury only as needed by the States for payment of claims.
5. No Federal funds are used by the State agencies for administering this program in the States.

Selected examples of recent progress

Program Statistics by Fiscal Years

<u>Fiscal Year</u>	<u>Number of Outlets Participating</u>	<u>Half-pints Reimbursed (millions)</u>	<u>Total Reimbursement Payments</u>
1955	41,094	449.8	\$17,220,281
1956	62,266	1,394.2	45,842,194
1957	71,239	1,752.7	60,411,200
1958	76,478	1,918.2	66,290,970
1959	81,587	2,176.2	74,223,939
1960	83,922	2,384.7	80,277,086
1961	86,494	2,476.7	84,008,164
1962	88,188	2,631.0	88,713,305
1963	90,486	2,765.6	93,347,465
1964	91,890	2,929.0	99,163,888
1965	92,005	2,966.8	98,109,218
1966 (est.)	93,000	3,115.1	99,370,000

From 1964 to 1965 the number of participating schools and institutions increased from 91,890 to 92,005. The latter figure includes 85,929 schools and 6,076 child-care institutions and summer camps. The number of one-half pints of milk reimbursed increased from 2.9 billion in 1964 to about 3.0 billion in 1965.

More than 102,500 children participated and consumed approximately 21.3 million half pints of milk under the limited program of special assistance in a total of 1,322 needy schools.

Number of Half-pints of Milk Reimbursed
(in thousands)

Month	Fiscal Year 1964	Fiscal Year 1965
July	45,674	45,737
August	35,103	35,696
September	302,699	294,027
October	378,397	364,581
November	283,787	309,836
December	239,575	248,792
January	318,471	316,462
February	308,442	295,058
March	301,357	356,981
April	320,401	286,430
May	286,893	291,074
June	108,231	122,092
Total	2,929,030	2,966,766

The following table reports by State the Number of outlets participating, number of half-pints reimbursed and obligations for 1964 and 1965.

State	No. of Outlets		Est. No. 1/2 Pints		Obligations	
	Participating		Milk Reimb. (Mil.)		(Thousands)	
	1964	1965	1964	1965	1964	1965
Alabama	1,504:	1,726:	43.6:	44.8:	\$1,454:	\$1,448
Alaska	69:	78:	1.2:	1.4:	33:	40
Arizona	596:	601:	18.1:	17.3:	545:	519
Arkansas	1,132:	1,114:	34.1:	33.2:	1,306:	1,226
California	7,325:	7,591:	279.7:	286.5:	9,040:	9,090
Colorado	1,197:	1,200:	27.6:	26.9:	937:	901
Connecticut ...	1,188:	1,276:	47.4:	50.4:	1,586:	1,515
Delaware	201:	206:	9.3:	9.8:	326:	328
D. C.	210:	218:	18.9:	19.1:	603:	616
Florida	1,760:	1,589:	51.3:	58.3:	1,292:	1,456
Georgia	1,825:	1,813:	33.5:	35.5:	1,139:	1,196
Hawaii	223:	227:	5.4:	5.3:	184:	174
Idaho	525:	600:	6.9:	7.1:	229:	225
Illinois	4,823:	4,633:	194.8:	197.8:	6,746:	6,709
Indiana	2,328:	2,418:	70.0:	76.6:	2,501:	2,632
Iowa	2,276:	2,249:	52.7:	53.0:	1,945:	1,904
Kansas	1,260:	1,285:	34.9:	34.9:	1,160:	1,131
Kentucky	1,834:	1,639:	51.2:	50.9:	1,919:	1,880
Louisiana	1,194:	1,225:	19.1:	19.3:	725:	711
Maine	882:	873:	14.0:	14.0:	478:	464
Maryland	1,373:	1,437:	61.4:	64.1:	2,149:	2,177
Massachusetts .	2,922:	2,944:	108.6:	107.6:	3,475:	3,388
Michigan	4,733:	4,660:	169.4:	170.1:	5,809:	5,706
Minnesota	2,779:	2,841:	76.2:	77.3:	2,786:	2,710
Mississippi ...	1,056:	1,057:	38.3:	39.0:	1,490:	1,476
Missouri	3,082:	2,984:	82.8:	61.7:	3,052:	2,208
Montana	448:	448:	6.1:	6.0:	206:	198
Nebraska	945:	992:	18.8:	19.8:	646:	672
Nevada	190:	196:	4.0:	4.4:	107:	122
N. Hampshire ..	498:	515:	12.5:	13.0:	417:	424
New Jersey	2,285:	2,327:	100.5:	108.1:	3,366:	3,615
New Mexico	652:	673:	28.3:	28.2:	778:	745
New York	5,843:	6,021:	276.5:	277.2:	9,720:	9,602
North Carolina :	2,252:	2,066:	61.6:	64.2:	2,089:	2,224
North Dakota ..	551:	549:	10.9:	11.0:	387:	391
Ohio	4,420:	4,572:	194.3:	195.5:	6,184:	6,306
Oklahoma	1,458:	1,445:	34.6:	35.4:	1,119:	1,058
Oregon	1,232:	1,284:	19.9:	19.4:	576:	534
Pennsylvania ..	5,080:	4,855:	149.8:	158.2:	4,763:	4,786
Rhode Island ..	377:	368:	13.5:	12.9:	423:	416
South Carolina :	1,183:	1,192:	22.6:	22.4:	764:	745
South Dakota .	668:	659:	14.0:	14.3:	433:	430
Tennessee	2,226:	2,157:	63.2:	62.6:	2,141:	2,071
Texas	3,666:	3,683:	110.1:	110.2:	3,895:	3,810
Utah	511:	552:	10.2:	10.9:	364:	378
Vermont	427:	415:	6.4:	6.5:	204:	202
Virginia	1,769:	1,788:	51.9:	53.1:	1,719:	1,691
Washington ...	1,711:	1,748:	45.1:	45.2:	1,580:	1,490
West Virginia .	1,108:	1,067:	15.5:	16.5:	558:	589
Wisconsin	3,765:	3,635:	104.7:	106.3:	3,680:	3,651
Wyoming	328:	314:	3.6:	3.6:	136:	129
Total	91,890	92,005	2,929.0	2,966.8	99,164	98,109

(d) School Lunch Program

	Direct Appropriation	Transfer from Section 32 Funds	Total
Appropriation Act, 1966	\$157,000,000	\$45,000,000	\$202,000,000
Budget Estimate, 1967	138,000,000	45,000,000	183,000,000
Decrease	<u>-19,000,000</u>	<u>- -</u>	<u>-19,000,000</u>

SUMMARY OF INCREASES AND DECREASES

	1966 Available	Increase or Decrease	1967 Estimate
Special cash assistance to needy schools ..	\$2,000,000	/\$4,500,000	\$6,500,000
Cash payments to States under formula	138,590,000	-9,175,000	129,415,000
Commodity procurement	59,325,000	-14,325,000	45,000,000
Operating expenses	2,085,000	- -	2,085,000
Total	<u>202,000,000</u>	<u>-19,000,000</u>	<u>183,000,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases Increased Pay Costs (P.L. 89-301)	Other	1967 (estimated)
1. Food Assistance:					
a. Cash payments to States ...	\$130,434,902	\$138,590,000	- -	-\$9,175,000	\$129,415,000
b. Special cash assistance ..	- -	2,000,000	- -	/\$4,500,000	6,500,000
c. Commodity procurement	59,056,988	59,325,000	- -	-14,325,000	45,000,000
2. Operating expenses	1,648,895	2,085,000	- -	- -	2,085,000
Unobligated balance :	259,215	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301) :	(- -)	(45,000)	(/15,000)	(- -)	(60,000)
Total available or estimate	191,400,000	202,000,000	- -	-19,000,000	183,000,000

(1) A decrease of \$9,175,000 in cash payments under the formula in Section 4 of the National School Lunch Act, as amended.

In view of foreseeable favorable economic conditions generally and to provide additional funds to permit increased emphasis and assistance to schools serving children from needy neighborhoods, a decrease is proposed in regular school lunch program funds which are distributed generally among schools regardless of economic needs.

(2) An increase of \$4,500,000 for special cash assistance to certain schools to help them serve free or reduced-price lunches.

In 1965, during the peak month, the School Lunch Program reached over 17 million children -- more than one-third of the 48.2 million school children in this country. Nearly 2.9 billion nutritionally balanced lunches were served to these children. About 1 out of 10 of these lunches was served free or at reduced prices to over 1 million children who could not afford to pay the full price of the lunch. However, this program, as good as it is, still is not doing a complete job. Many thousands of needy children are not being reached -- a serious weakness in the program.

One of two factors is involved -- the schools which these needy children attend do not have a lunch program, or if their schools have a lunch program, financial resources are not available to provide all the needy children with free or reduced-price lunches.

A nationwide survey conducted by the Department in 1962 revealed that:

1. Approximately 1.4 million children needed but were not receiving free or reduced-price lunches at school.
2. About 500,000 of these children were attending schools with an operating lunch program but with resources inadequate for meeting the total needs.
3. The other 900,000 children attended schools without lunch service.
4. Continuing normal 6% growth in participation has prevented States from diverting necessary funds to reach these needy children.
5. The need for special assistance is present in schools located in the downtown neighborhoods of the large cities and in impoverished rural areas scattered throughout the country. Where the need is greatest the local school resources are least.

No one would consciously deprive school children of food, or the opportunity to have an adequate lunch. The reason is simply that adequate funds did not exist, either locally or from the Federal government, to finance an adequate school lunch program in areas where most of the lunches would have to be served free or at greatly reduced prices. Thus, hungry children are being deprived of the food they need by failure to provide the extra degree of support required to meet this specific need.

Section 11 of the National School Lunch Act, as amended, authorizes an appropriation of the necessary funds to assist schools drawing attendance from areas in which poor economic conditions exist, in serving free or reduced-priced lunches. These funds would be distributed among the States in accordance with the formula contained in Section 11, and could be used by the States only for those schools that meet the criteria for special assistance as provided in the Act. The apportionment formula is designed to provide a share of these funds to every State.

The increase of \$4,500,000 would further the objective of insuring that no child shall be denied lunch because of financial need. On the basis of about 12-1/2¢ average Federal reimbursement rate per lunch an additional 200,000 children in impoverished areas could be provided adequate lunches in 1967. This is over and above the estimated 90,000 children to be reached with the special assistance funds provided in 1966.

(3) A decrease of \$14,325,000 in Section 6 commodity procurement.

This decrease is being applied to cash payments and will be apportioned to the States on the basis of participation and need. While the Section 6 commodities directly assist the schools, they are allocated to the States on the basis of participation alone.

Many of the school districts, especially in Metropolitan areas, have established improved food-buying practices and can effectively utilize reimbursement payments in food purchases at local markets. By retaining the \$45 million Section 32 transfer for the purpose of Section 6, it is felt that an adequate purchase and distribution program of desirable foods can be maintained.

x x x x x x x x x x x

Since 1964, the average Federal contribution per lunch has been based on appropriations for cash payments and Section 6 commodity purchases. With the elimination of Section 6 purchases from appropriated funds, the Federal cash contribution for the lunches expected to be served in 1967 would average about 4.0¢ as reflected on the following table. However, including the \$45 million transfer from the appropriation Removal of Surplus Agricultural Commodities (Section 32) for commodity procurement, the average Federal contribution per lunch would be about 5.4¢ in 1967. In addition, the Department will continue to make surplus commodities available under the direct distribution program, thus further increasing the Federal contribution to the School Lunch Program.

Item	:F.Y. 1964:	F.Y. 1965:	F.Y. 1966:	F.Y. 1967
	: (Actual):	(Actual):	(Est.)	: (Est.)
Cash payments to States	\$120,808:	\$130,435:	\$138,590:	\$129,415
Section 6 procurement-direct appropriation	14,168:	14,262:	14,325:	- -
Total Federal contribution from appropriation	134,976:	144,697:	152,915:	129,415
Estimated number of lunches (mil.) ..	2,696.5 :	2,891.7 :	3,065.2 :	3,235.4
Average Federal contribution per lunch from direct appropriation ...	5.0¢:	5.0¢:	5.0¢:	4.0¢



STATUS OF PROGRAM

The School Lunch Program accomplishes the following:

1. Broadens the market for agricultural food commodities by:
 - a. Providing an expanded market for agricultural commodities through local purchases of food by school lunch programs in commercial channels of trade;
 - b. Serving as a valuable and constructive outlet for agricultural commodities purchased by the Department to lessen local and seasonal surpluses;
 - c. Expanding the outlet for highly nutritious foods, particularly in areas of nutritional deficiencies;
 - d. Introducing a wider variety of foods, thus creating a demand for commodities that many families otherwise would not buy.
2. Improves the health and well-being of the Nation's children by:
 - a. Providing them a well-balanced nutritious lunch at school which helps to supply the kind and amount of foods children need.

Experience indicates that children who get lunch under this program compared with those who do not, show:

 - (1) more rapid gain in weight and height;
 - (2) better attendance records;
 - (3) improvement in scholastic standing;
 - (4) better behavior;
 - (5) higher resistance to colds and other illnesses.
 - b. Developing proper and nutritionally beneficial food habits which will continue in later life.

Current activity under the program includes:

1. Furnishing cash assistance to schools for local food purchases by:
 - a. Apportioning among the States a minimum of 75% of the total appropriated funds available on the basis of need for assistance as indicated by:

- (1) Relation of the per capita income in the United States to the per capita income in the State;
 - (2) Participation as reflected by number of lunches served.
- b. Making funds available to State Agencies to reimburse participating schools for a portion of the food cost of lunches served when the schools:
- (1) agree to operate on a nonprofit basis and observe limitations on use of program funds;
 - (2) serve lunches meeting minimum nutritional requirements prescribed by Secretary of Agriculture;
 - (3) offer lunch to all children attending the school and supply it without cost or at reduced price to all children who are unable to pay the full price thereof;
 - (4) make no discrimination against any child because of his inability to pay the full price thereof;
 - (5) comply with all requirements of the Civil Rights Act regulations for the program;
 - (6) agree to purchase commodities designated by the Department as being in abundance in as large quantities as may be utilized;
 - (7) accept and use, to the extent possible, such foods as may be offered as a donation by the Department;
 - (8) maintain full and accurate records of its lunch program.
- c. Paying the funds directly to over 3,000 participating private schools in 28 States and Guam where State laws forbid disbursement of Federal funds by State Agencies to private schools. (A proportionate share of the State's total apportionment, as provided for in the Act, is set aside for this purpose.) Administration of the program in these schools includes:
- (1) selection of schools on basis of need;
 - (2) setting reimbursement rates;
 - (3) training of school lunch workers;
 - (4) making visits to schools to evaluate program operations.

2. Furnishing food items to schools for lunch programs by distributing to schools through State distributing agencies, commodities acquired under:

- a. Section 6, National School Lunch Act. Commodities are purchased on the basis of their nutritional value and acceptability, and distributed to schools participating in the school lunch program under this act. In addition, under authority contained in the annual Appropriation Act, funds are transferred from Section 32 for the purchase and distribution of agricultural commodities and other foods pursuant to Section 6 of the National School Lunch Act.
- b. Removal of Surplus Agricultural Commodities (Section 32, Act of August 24, 1935, as amended). Commodities purchased under surplus removal programs are donated to authorized outlets, including all eligible school lunch programs.
- c. Commodity Credit Corporation, (Section 416, Agricultural Act of 1949, as amended). Commodities acquired under price support programs may be donated to authorized outlets, including all eligible school lunch programs.

3. Furnishing administrative and technical assistance to State agencies and participating schools with respect to:

- a. management of funds;
- b. purchase and storage of foods;
- c. maximizing the local purchases of plentiful foods;
- d. proper use of equipment;
- e. preparation and serving of lunches;
- f. maintenance of records and preparation of reports;
- g. development of recipes, particularly to utilize donated and plentiful commodities;
- h. increasing participation in program;
- i. adequacy of program operations;
- j. in-service workshop training meetings;
- k. extension of program to especially needy schools both in core areas of metropolitan centers and in isolated rural areas.

Emphasis is continuing in the field of in-service training for local school lunch personnel--directly with private schools administered by the Department and cooperatively with State agencies. Training materials such as flip-charts, slides, films, scripts and sound tapes have been classified and catalogued and made available for use in private school workshops and for loan to State agencies.

4. Determining the efficiency of program operations by:

- a. on-site reviews at the individual schools;
- b. comprehensive administrative analyses of State agencies' operation under the program;
- c. annual audits of the records of State agencies and selected schools.

Program policy is to encourage and assist State educational agencies to assume increasing responsibility for the administration of the program. In addition to the responsibility for the administrative review of individual programs which all States have assumed, 18 States have assumed responsibility for individual school audit programs.

4. Industry relationships:

Cooperation with producer groups to reach the school lunch market with new foods or foods in new form is receiving increased attention. Similar help is being given to equipment manufacturers. This necessitates keeping abreast of new developments in food technology, particularly food processing and preservation, and with new developments in food preparation and serving equipment.

Examples of recent progress and trends:

The School Lunch Program furnished nearly 2.9 billion complete lunches to over 35% of the Nation's 48,151,723 school children in the fiscal year 1965. This program also utilized about 4.6 billion pounds of food, of which about 3.6 billion pounds were purchased in local markets and about 1.0 billion pounds were donated by the Department. In 1965, each dollar of Federal cash assistance resulted in the expenditure of almost \$5.50 for food in local markets throughout the country.

1. Peak month participation was 17.0 million children in 1965--6.37% over 1964

Participation in the National School Lunch Program Fiscal Years 1964 and 1965 by month

Month	: <u>No. of Schools</u>		: <u>No. of Children</u>	
	: <u>F i s c a l</u>		<u>Y e a r s</u>	
	: 1964	: 1965	: 1964	: 1965
July	: 1,052:	1,026:	145,517:	192,002
August	: 5,064:	5,102:	786,621:	697,454
September	: 66,786:	68,130:	15,409,052:	16,123,053
October	: 67,154:	69,032:	15,498,220:	16,403,902
November	: 68,036:	70,002:	15,839,136:	16,935,878
December	: 68,526:	70,132:	16,003,633:	17,023,638
January	: 68,258:	70,180:	15,619,606:	16,866,937
February	: 68,845:	70,072:	15,387,386:	16,564,431
March	: 69,616:	70,292:	15,349,542:	16,517,110
April	: 68,884:	70,231:	15,035,768:	16,297,818
May	: 68,951:	69,679:	14,971,561:	15,970,794
June	: 20,832:	24,655:	4,489,705:	4,923,669
Average September-June.	: 63,589:	65,240:	14,360,361:	15,362,723
Peak Number	: 69,616:	70,292:	16,003,633:	17,023,638
Peak Month	: March :	March :	December :	December

Year to year comparisons in number of schools participating are affected by the school consolidation program.

2. Special Assistance to Needy Schools

In some instances, the States are providing added help from regular cash and commodity assistance to especially needy schools in areas having a high proportion of children unable to pay the full price for their lunches. This was done under authority provided in revised regulations which enabled the States to pay up to fifteen cents for lunches served in these particularly needy areas. Several States also provide donated commodities to needy schools at a rate higher than that used for the average school. The amount of help that can be given through regular assistance is very limited however, in relation to the overall need.

The special assistance funds appropriated in fiscal year 1966 will provide adequate lunches for an estimated 90,000 children on the basis of about 12-1/2¢ average Federal reimbursement rate per lunch. These funds are distributed on the basis of a formula using two factors: (1) the number of free or reduced price lunches in the previous year under the regular program, and (2) the assistance need rate as stated in paragraph (6) of Section 12 of the National School Lunch Act.

3. Selected Statistical Material and Analyses

The following tables present analyses of the growth and scope of the School Lunch Program:

Tables I and I-a	-Source of Funds, Matching Requirements and Participation, in the first year of operation and the latest 4 years and analyses.
Tables II and II-a	-Apportionment by States, 1966. Regular Cash Payments Special Cash Assistance
Table III	-Federal and State financing 1965, by States..
Table IV	-Children and Schools participating 1955, by States..
Table V	-Commodities distributed in 1964 and 1965, by quantity and cost..

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service

TABLE I

School Lunch Program

Source of Funds including Special Milk, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First Year) and Fiscal Years 1963 - 1966

Item	1947	1963	1964	1965	1966 (Est.)
1. Method of Financing Program					
Contributions from Federal Sources					
a. Direct appropriation					
School Lunch Act					
Cash payments - Food (obligations)	\$ 59,853,146	\$108,537,420	\$120,797,444	\$130,434,902	\$138,590,000
Section 6 (distribution) 1/	5,735,269	58,875,807	59,270,071	59,458,642	59,325,000
Total	65,588,415	167,413,227	180,067,515	189,893,544	197,915,000
b. Donated Commodities					
Section 32	2,312,479	29,267,815	43,666,877	173,214,359	36,400,000
C.C.C. (Section 416)	--	91,702,866	91,993,534	39,735,016	88,600,000
Total	2,312,479	120,970,681	135,660,411	212,949,375	125,000,000
c. Special Milk Program	--	90,291,543	96,154,491	95,103,764	97,251,500
Total Federal Contributions	67,900,894	378,675,451	411,882,417	497,946,683	420,166,500
Contributions from State Sources					
a. Direct appropriation					
State and local	20,616,000	97,076,000	103,260,000	113,682,000	124,000,000
b. Other local contributions	17,532,000	156,377,000	166,323,000	178,700,000	200,000,000
c. Payments by children	112,540,000	694,030,000	741,856,000	797,572,000	835,000,000
Total State Contributions	150,688,000	947,483,000	1,011,439,000	1,089,954,000	1,159,000,000
Total Contributions, Federal and State ..	218,588,894	1,326,158,451	1,423,321,417	1,587,900,683	1,579,166,500
2. Matching 2/					
Federal apportionment of cash to States	\$ 62,338,155	\$108,600,000	\$120,810,000	\$130,435,000	\$138,590,000
Required by States under School Lunch Act	\$ 55,877,690	\$280,834,574	\$311,269,806	\$335,394,555	\$355,191,947
Contributed by States	\$150,688,000	\$947,483,000	\$1,011,439,000	\$1,089,954,000	\$1,159,000,000
3. School Enrollment (Thousands)	26,600	45,194	46,936	48,152	49,400
4. Participation in Program					
a. Number of schools (month of peak participation by children) 3/	44,537	67,728	69,616	70,292	71,300
b. Number of children (Peak-thousands)	6,016	15,035	16,087	17,025	18,001
Types A and B lunches	4,506	14,957	16,004	17,024	18,000
Type C lunches	1,510	78	83	1	1
c. Number of meals served (Millions)	910.9	2,554.8	2,702.1	2,892.5	3,065.4
Type A: With Milk - Number (Millions)	527.4	2,539.8	2,679.0	2,876.0	3,047.9
Percent of total	57.9	99.4	99.2	99.4	99.4
Without Milk - Number (Millions)	129.6	12.9	17.5	16.3	17.3
Percent of total	14.2	.5	.6	.6	.6
Type B: With Milk - Number (Millions)	17.8	--	--	--	--
Percent of total	2.0	--	--	--	--
Without Milk - Number (Millions)	7.4	--	--	--	--
Percent of total	.8	--	--	--	--
Type C: Number (Millions)	228.7	2.1	5.6	.2	.2
Percent of total	25.1	.1	.2	--	--
d. Number of free or reduced-price lunches served (Millions)	109.4	245.7	266.1	285.8	306.5
Free or reduced-price lunches as percent of total lunches served	12.0	9.6	9.9	9.9	10.0
5. Foods bought in local markets with Federal cash payments and State contributions	\$128,648,278	\$646,131,955	\$690,018,000	\$706,943,000	\$830,000,000
6. Total Appropriation 4/	\$ 81,000,000	\$169,677,900	\$181,616,000	\$191,400,000	\$202,000,000

1/ Represents year in which commodities were distributed; not necessarily year in which funds were obligated.

2/ State matching requirements per Federal dollar are as follows: 1947-1950 \$1.00 to \$1.00; 1951-1955 \$1.50 to \$1.00; thereafter \$3.00 to \$1.00 EXCEPT that for States with per capita income below the National average the ratio required is decreased by the percentage which the State per capita income is below the per capita income of the United States. Lowest matching requirement for 1947-1950 was \$.46 to \$1.00; for 1951-1955 \$.73 to \$1.50; for 1956-1960 \$1.41 to \$3.00; 1961-1965 \$1.54 to \$3.00.

3/ Beginning in 1959 excludes schools serving only Type C lunches.

4/ Includes funds authorized to be transferred from Section 32 for the purchase and distribution of agricultural commodities.

5/ Excludes comparative transfer to OIG-OMS.

Table Ia

NATIONAL SCHOOL LUNCH PROGRAM

Analyses of Source of Funds, Matching Requirements and Participation in the Program
Fiscal Year 1947 (First Year) and Fiscal Years 1963-1966

Item	a/ 1947	1963	1964	1965	1966
1. Total cost per lunch (Includes all lunches except Type C)	30.4¢	48.4¢	49.2¢	51.6¢	48.3¢
a. Federal contributions (excl. Special Milk)	9.3	11.3	11.7	13.9	10.5
b. State and local contributions	5.6	9.9	10.0	10.1	10.6
c. Children's payments	15.5	27.2	27.5	27.6	27.2
2. Average rate of reimbursements from Federal cash payments per Type A Lunch	8.7¢	4.3¢	4.5¢	4.5¢	4.5¢
3. Annual contribution per child (Excludes children participating in Type C programs)	\$45.97	\$82.63	\$82.93	\$87.69	\$82.33
a. Federal (Excludes Special Milk):					
Cash payments	\$12.27	\$7.26	\$7.55	\$7.66	\$7.70
Donated commodities	1.78	12.02	12.18	16.00	10.24
Total, Federal	14.05	19.28	19.73	23.66	17.94
b. State and local contributions	8.47	16.95	16.84	17.18	18.00
c. Children's payments	23.45	46.40	46.36	46.85	46.39
4. Percent of enrollment participating	16.9%	33.1%	34.1%	35.4%	36.4%
5. Average number of children participating per school	101	221	230	242	252
a/ Participation in the Type C lunch decreased rapidly after enactment of the Special Milk Program in 1955. To show comparability, funds and participation have been adjusted by the Type C contributions.					

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service
CONSUMER FOOD PROGRAMS
Washington, D. C. 20250

TABLE II

SL-1-66

NATIONAL SCHOOL LUNCH PROGRAM

APPORTIONMENT BY STATES OF FUNDS AVAILABLE FOR THE NATIONAL SCHOOL LUNCH PROGRAM
FISCAL YEAR 1966

STATE	PARTICIPATION RATE a/ (1)	PER CAPITA INCOME b/ (U.S. \$2,455) (2)	PER CAPITA INCOME INDEX c/ (3)	ASSISTANCE NEED RATE d/ (4)	STATE INDEX IN UNITS OF 100 e/ (5)	STATE QUOTIENT (6)	TOTAL APPORTIONMENT f/ (7)	STATE AGENCY (8)	PRIVATE SCHOOLS (9)	MATCHING PERCENT REQUIRED g/ (10)
Alabama	72,807,405	1,642	1.49513	7.5	5,460,555	.0324787	4,500,411	4,378,464	121,947	204.35295
Alaska	3,281,131	2,903	.84568	5.0	164,057	.0009758	135,212	135,212	--	300.00000
Arizona	25,657,540	2,197	1.11743	5.6	1,436,822	.0085460	1,184,177	1,129,660	54,517	260.94117
Arkansas	38,934,642	1,563	1.57070	7.9	3,075,837	.0182947	2,535,005	2,456,954	78,051	192.11766
California	139,904,271	2,988	.82162	5.0	6,995,214	.0416067	5,765,232	5,765,232	--	300.00000
Colorado	32,766,462	2,521	.97332	5.0	1,638,323	.0097445	1,350,247	1,250,845	99,402	300.00000
Connecticut	29,348,831	3,145	.78060	5.0	1,467,442	.0087282	1,209,423	1,209,423	--	300.00000
Delaware	7,192,173	3,281	.74825	5.0	359,609	.0021389	296,377	292,999	3,378	300.00000
District of Columbia	4,186,518	3,347	.73349	5.0	209,326	.0012450	172,513	172,513	--	300.00000
Florida	114,110,593	2,173	1.12977	5.6	6,390,193	.0380081	5,266,592	5,144,061	122,531	268.23528
Georgia	109,136,579	1,834	1.33860	6.7	7,312,151	.0434918	6,026,441	6,026,441	--	227.41176
Guam	1,214,215	1,293	1.89869	9.0	109,279	.0006500	90,087	50,985	39,082	156.47058
Hawaii	22,241,851	2,500	.98200	5.0	1,112,093	.0066146	916,552	858,437	58,115	300.00000
Idaho	13,291,520	1,981	1.23927	6.2	824,074	.0049015	679,176	657,605	21,571	236.70588
Illinois	101,715,484	2,904	.84539	5.0	5,085,772	.0302496	4,191,536	4,191,536	--	300.00000
Indiana	76,355,231	2,434	1.00863	5.0	3,817,764	.0227076	3,146,479	3,146,479	--	297.52941
Iowa	60,941,841	2,299	1.06786	5.3	3,229,918	.0192112	2,662,000	2,332,530	329,470	278.82354
Kansas	38,454,077	2,265	1.08389	5.4	2,076,520	.0123509	1,711,403	1,711,403	--	271.88235
Kentucky	77,276,278	1,763	1.39251	7.0	5,409,339	.0321741	4,458,204	4,458,204	--	213.05883
Louisiana	110,189,027	1,777	1.38194	6.9	7,603,043	.0452220	6,266,186	6,266,186	--	219.29412
Maine	14,637,454	2,023	1.21354	6.1	892,805	.0053108	735,891	646,706	89,185	250.58823
Maryland	44,742,205	2,753	.89175	5.0	2,237,110	.0133061	1,843,760	1,771,831	71,929	300.00000
Massachusetts	72,885,619	2,820	.87057	5.0	3,644,261	.0216758	3,003,507	3,003,507	--	300.00000
Michigan	83,880,115	2,577	.95266	5.0	4,194,006	.0249455	3,456,573	3,064,010	392,563	300.00000
Minnesota	73,867,090	2,305	1.06508	5.3	3,914,954	.0232857	3,226,583	2,799,990	426,593	279.17646
Mississippi	53,034,314	1,371	1.79366	9.0	4,773,088	.0283898	3,933,833	3,933,833	--	169.88235
Missouri	77,916,381	2,488	.98674	5.0	3,895,819	.0231719	3,210,814	3,210,814	--	300.00000
Montana	9,653,082	2,212	1.10986	5.5	530,920	.0031578	437,561	409,054	28,507	256.82352
Nebraska	23,653,378	2,293	1.07065	5.4	1,277,282	.0075971	1,052,692	881,732	170,960	270.82353
Nevada	2,901,057	2,211	.76456	5.0	145,053	.0008628	119,554	118,442	1,112	300.00000
New Hampshire	8,615,215	2,259	1.08197	5.4	465,222	.0027671	383,423	383,423	--	275.64705
New Jersey	43,796,839	2,891	.84919	5.0	2,189,842	.0130249	1,804,795	1,555,949	248,846	300.00000
New Mexico	19,663,931	1,974	1.24367	6.2	1,219,164	.0072514	1,004,790	1,004,790	--	236.47059
New York	210,711,502	3,089	.81050	5.0	10,535,575	.0626644	8,683,093	8,683,093	--	300.00000
North Carolina	122,045,768	1,808	1.35785	8.8	8,292,112	.0493622	6,839,873	6,839,873	--	223.52940
North Dakota	14,491,633	2,076	1.18256	5.9	855,006	.0050855	704,672	621,306	83,366	236.70588
Ohio	134,673,541	2,524	.97266	5.0	6,733,677	.0400511	5,549,681	4,929,052	620,629	300.00000
Oklahoma	39,362,057	2,002	1.22667	6.1	2,401,085	.0148814	1,978,902	1,978,902	--	246.47058
Oregon	31,007,047	2,483	.98872	5.0	1,550,352	.0092213	1,277,750	1,277,750	--	300.00000
Pennsylvania	137,676,776	2,468	.99473	5.0	6,883,839	.0403443	5,673,447	4,939,613	733,834	300.00000
Puerto Rico	48,722,263	791	3.10367	9.0	4,385,004	.0260815	3,613,983	3,613,983	--	98.11764
Rhode Island	6,011,894	2,417	1.01572	5.1	306,607	.0018237	252,701	252,701	--	291.64707
South Carolina	64,520,502	1,584	1.54987	7.7	4,968,079	.0295496	4,094,940	4,043,457	51,083	193.76472
South Dakota	10,980,827	1,957	1.25447	6.3	691,792	.0041147	570,153	570,153	--	215.52942
Tennessee	75,107,292	1,762	1.39330	7.0	5,257,510	.0312711	4,333,080	4,249,365	83,715	217.88235
Texas	133,630,567	2,094	1.17280	5.9	7,884,221	.0468944	6,457,923	6,223,909	274,014	255.88236
Utah	22,863,185	2,135	1.14988	5.7	1,303,202	.0077513	1,074,059	1,069,706	4,353	255.76470
Vermont	5,035,513	2,069	1.18656	5.9	297,095	.0017671	244,858	244,858	--	252.23529
Virginia	82,956,631	2,103	1.16738	5.8	4,811,485	.0286182	3,965,481	3,885,038	80,443	261.64707
Virgin Islands	1,388,632	1,238	1.98304	9.0	124,977	.0007433	102,995	102,995	--	151.17648
Washington	43,394,027	2,571	.95428	5.0	2,169,701	.0129051	1,788,195	1,732,795	55,400	300.00000
West Virginia	31,608,541	1,859	1.32060	6.6	2,086,164	.0124083	1,719,356	1,679,673	39,683	230.82354
Wisconsin	62,041,609	2,389	1.02763	5.1	3,164,122	.0188198	2,707,766	2,061,890	545,916	293.17647
Wyoming	5,228,956	2,458	.99878	5.0	261,448	.0015551	215,483	215,483	--	291.17646
Samoa, American	549,322	--	--	--	--	--	25,000	25,000	--	20.00001
Total	2,892,260,684	--	--	--	168,127,010	1.0000000	138,590,000	133,659,805	4,930,195	--

- a/ Number of lunches, consisting of a combination of foods and meeting the minimum requirements prescribed by the Secretary of Agriculture, served in the preceding fiscal year by schools participating in the program under this Act.
- b/ The average annual per capita income for any State and for all States as determined on the basis of the average annual per capita income for each State and for all States for the three most recent years (1962, 1963 and 1964) for which such data are available and certified to the Secretary of Agriculture by the Department of Commerce. The average annual per capita income for American Samoa shall be disregarded in determining the average per capita income for all the States for periods ending before July 1, 1967.
- c/ Average United States per capita income (\$2,455) divided by average State per capita income.
- d/ For any State having an average annual per capita income equal to or greater than the average annual per capita income for all the States, a need rate of 5 is assigned. In the case of any State having an average annual per capita income less than the average annual per capita income for all the States, the need rate assigned is the product of 5 and the quotient obtained by dividing the average annual per capita income for all the States by the annual average per capita income for such State, except that such product may not exceed 9 for any such State.
- e/ Participation rate multiplied by assistance need rate.
- f/ Funds apportioned multiplied by State quotients, except for American Samoa which is assigned an arbitrary amount in accordance with Section 4 of the Act, as amended.
- g/ Section 7 of the National School Lunch Act provides that during fiscal year 1966, each State must match three dollars for each dollar of the Federal Government's apportionment to the State, except that, in the case of a State in which the per capita income is below that of the United States, the matching ratio required is decreased by the percentage which the States per capita income is below the per capita income of the United States. The actual amount of funds required for matching is then determined by taking this percentage of the amount of the total Federal apportionment to the State.

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service

Table IIA

NATIONAL SCHOOL LUNCH PROGRAM
Initial Apportionment of Special Cash Assistance 1/
Fiscal Year 1966

State	Free Lunches FY-1965	Assistance Need Rate	State Index in Units of 100	State Quotients	Initial Apportion- ment	State Agency	Private Schools
Alabama	5,509 901:	7.5	413,243:	.0299893	29,090:	28,460:	630
Alaska	1,058,299:	5.0	52,915:	.0038401	3,725:	3,725:	--
Arizona	3,246,256:	5.6	181,790:	.0131926	12,797:	10,681:	2,116
Arkansas	3,356,274:	7.9	265,146:	.0192418	18,664:	17,799:	865
California	5,738,148:	5.0	286,907:	.0208210	20,196:	20,196:	--
Colorado	1,630,276:	5.0	81,514:	.0059155	5,738:	4,727:	1,011
Connecticut	697,744:	5.0	34,887:	.0025318	2,456:	2,456:	--
Delaware	140,916:	5.0	7,046:	.0005113	496:	490:	6
Dist. of Col.	1,710,453:	5.0	85,523:	.0062065	6,020:	6,020:	--
Florida	10,128,110:	5.6	567,174:	.0411602	39,925:	38,510:	1,415
Georgia	9,113,229:	6.7	610,586:	.0443106	42,981:	42,981:	--
Guam	118,360:	--	--	(.0023521)	141:	77:	64
Hawaii	870,318:	5.0	43,516:	.0031580	3,063:	1,498:	1,565
Idaho	325,613:	6.2	20,188:	.0014651	1,421:	1,231:	190
Illinois	3,118 096:	5.0	155,905:	.0113141	10,975:	10,975:	--
Indiana	2,274,988:	5.0	113,749:	.0082548	8,007:	8,007:	--
Iowa	1,881,757:	5.3	99,733:	.0072377	7,021:	4,976:	2,045
Kansas	842,905:	5.4	45,517:	.0033032	3,204:	3,204:	--
Kentucky	10,570,097:	7.0	739,907:	.0536955	52,085:	52,085:	--
Louisiana	12,312,178:	6.9	849,540:	.0616516	59,802:	59,802:	--
Maine	1,329,743:	6.1	81,114:	.0058865	5,710:	4,141:	1,569
Maryland	1,559,998:	5.0	78,000:	.0056605	5,491:	3,698:	1,793
Massachusetts	3,636,312:	5.0	181,816:	.0131945	12,799:	12,799:	--
Michigan	4,036,305:	5.0	201,815:	.0146458	14,206:	10,526:	3,680
Minnesota	2,582,346:	5.3	136,864:	.0099323	9,634:	7,233:	2,401
Mississippi	4,537,013:	9.0	408,331:	.0296328	28,744:	28,744:	--
Missouri	3,552,936:	5.0	177,647:	.0128919	12,505:	12,505:	--
Montana	952,752:	5.5	52,401:	.0038028	3,689:	2,945:	744
Nebraska	1,494,899:	5.4	80,725:	.0058583	5,683:	3,662:	2,021
Nevada	198,357:	5.0	9,918:	.0007198	698:	693:	5
New Hampshire	543,440:	5.4	29,346:	.0021297	2,066:	2,066:	--
New Jersey	2,190,097:	5.0	109,505:	.0079468	7,708:	3,819:	3,889
New Mexico	3,390,000:	6.2	210,180:	.0152529	14,795:	14,795:	--
New York	55,892,635:	5.0	2,794,632:	.2028081	196,724:	196,724:	--
North Carolina	7,821,067:	6.8	531,833:	.0385954	37,437:	37,437:	--
North Dakota	804,530:	5.9	47,467:	.0034447	3,341:	2,223:	1,118
Ohio	7,447,347:	5.0	372,367:	.0270229	26,212:	19,950:	6,262
Oklahoma	4,024,167:	6.1	245,474:	.0178142	17,280:	17,280:	--
Oregon	625,583:	5.0	31,279:	.0022699	2,202:	2,202:	--
Pennsylvania	10,492,671:	5.0	524,634:	.0380730	36,931:	24,282:	12,649
Puerto Rico	48,426,190:	--	--	(.9623412)	57,740:	57,740:	--
Rhode Island	75,473:	5.1	3,849:	.0002793	271:	271:	--
South Carolina	7,042,552:	7.7	542,277:	.0393534	38,173:	36,969:	1,204
South Dakota	1,205,198:	6.3	75,927:	.0055101	5,345:	5,345:	--
Tennessee	10,030,497:	7.0	702,135:	.0509543	49,426:	48,613:	813
Texas	9,491,515:	5.9	559,999:	.0406395	39,420:	36,484:	2,936
Utah	1,340 275:	5.7	76,396:	.0055441	5,378:	5,321:	57
Vermont	416,017:	5.9	24,545:	.0017812	1,728:	1,728:	--
Virginia	4,800,521:	5.8	278,430:	.0202058	19,600:	18,913:	687
Virgin Islands	1,388,632:	--	--	(.0275953)	1,656:	1,656:	--
Washington	1,596,211:	5.0	79,811:	.0057919	5,618:	4,622:	996
West Virginia	4,954,081:	6.6	326,969:	.0237283	23,016:	22,547:	469
Wisconsin	2,797,918:	5.1	142,694:	.0103554	10,045:	5,853:	4,192
Wyoming	130,407:	5.0	6,520:	.0004732	459:	459:	--
Amer. Samoa	388,045:	--	--	(.0077114)	463:	463:	--
Total	285,839,648:	--	13,779,686:	1,0000000 ^{2/}	1,030,000:	972,608:	57,392
Balance to be Apportioned	--	--	--	--	970,000:	--	--
Total Appropriation	--	--	--	--	2,000,000:	--	--

^{1/} Based on Section 11 of the National School Lunch Act, as amended, fifty percent of the two million dollars available (after the 3 percent adjustment for Guam, Puerto Rico, the Virgin Islands and American Samoa) is apportioned initially. Any funds so apportioned which cannot be used by the State to which apportioned, together with the \$970,000 remaining unapportioned, shall be further apportioned on the same basis as the initial apportionment.

^{2/} Total does not include State quotients for Guam, Puerto Rico, the Virgin Islands or American Samoa.

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service

Table III

School Lunch and Special Milk Programs

Comparison of Federal and State Financing for the Fiscal Year 1965

State	Commodity Distribution		Federal		Special	Total	State and	Total	Federal
	Section	Donated b/	Cash	Apportionment:	Milk c/	Federal	Local d/	Federal	Contributions
	6 a/	Commodities	NSLP			Contribution:	Financing	and State	as % of
									Total
Alabama	\$1,490,596:	\$5,618,376:	\$4,070,440:		\$1,422,378:	\$12,601,790:	\$22,223,000:	\$34,824,790:	36.2
Alaska	113,660:	662,068:	122,000:		38,644:	936,372:	1,221,000:	2,157,372:	43.4
Arizona	528,594:	1,933,507:	1,128,886:		507,606:	4,098,593:	9,469,000:	13,567,593:	30.2
Arkansas	826,195:	3,382,349:	2,290,802:		1,215,354:	7,714,700:	10,257,000:	17,971,700:	42.9
California	2,816,747:	15,940,196:	6,269,162:		8,849,504:	33,875,609:	81,875,000:	115,750,609:	29.3
Colorado	688,972:	2,777,764:	1,262,066:		871,654:	5,600,456:	13,016,000:	18,616,456:	30.1
Connecticut	583,156:	2,146,696:	1,134,782:		1,442,160:	5,306,794:	15,390,000:	20,696,794:	25.6
Delaware	141,524:	523,875:	254,505:		309,480:	1,229,384:	4,342,000:	5,571,384:	22.1
District of Columbia	69,834:	319,548:	187,957:		594,369:	1,171,708:	2,574,000:	3,745,708:	31.3
Florida	2,286,158:	6,981,564:	4,717,937:		1,425,340:	15,410,999:	39,443,000:	54,853,999:	28.1
Georgia	2,188,603:	6,462,274:	5,117,187:		1,141,386:	14,909,450:	32,387,000:	47,296,450:	31.5
Guam	37,457:	66,067:	75,706:		--	179,230:	813,000:	992,230:	18.1
Hawaii	455,329:	1,272,461:	785,412:		169,446:	2,682,648:	8,558,000:	11,240,648:	23.9
Idaho	278,717:	943,007:	636,295:		217,899:	2,075,918:	3,900,000:	5,975,918:	34.7
Illinois	2,114,668:	7,727,155:	4,291,236:		6,607,973:	20,741,032:	48,055,000:	68,796,032:	30.1
Indiana	1,571,134:	5,657,329:	2,983,233:		2,550,196:	12,761,892:	28,558,000:	41,319,892:	30.9
Iowa	1,287,630:	4,197,496:	2,433,019:		1,878,542:	9,796,687:	21,230,000:	31,026,687:	31.6
Kansas	848,203:	3,434,739:	1,603,524:		1,102,300:	6,988,766:	13,017,000:	20,005,766:	34.9
Kentucky	1,577,817:	4,765,250:	3,615,356:		1,827,232:	11,785,655:	21,050,000:	32,835,655:	35.9
Louisiana	2,316,768:	8,131,131:	5,471,625:		675,162:	16,594,686:	29,978,000:	46,572,686:	35.6
Maine	337,016:	958,501:	721,601:		429,649:	2,446,767:	4,990,000:	7,436,767:	32.9
Maryland	862,107:	2,601,001:	1,715,360:		2,130,892:	7,309,360:	23,116,000:	30,425,360:	24.0
Massachusetts	1,395,749:	6,160,806:	2,744,551:		3,302,589:	13,603,695:	34,894,000:	48,497,695:	28.1
Michigan	1,672,705:	6,261,163:	3,679,058:		5,590,236:	17,203,162:	33,836,000:	51,039,162:	33.7
Minnesota	1,543,972:	4,956,486:	2,913,453:		2,651,093:	12,065,004:	21,236,000:	33,301,004:	36.2
Mississippi	1,116,260:	3,460,170:	3,600,828:		1,455,415:	9,632,673:	14,135,000:	23,767,673:	40.5
Missouri	1,616,336:	5,304,792:	2,945,823:		2,180,830:	12,047,781:	28,804,000:	40,851,781:	29.5
Montana	203,957:	557,050:	450,231:		193,019:	1,404,257:	2,912,000:	4,316,257:	32.5
Nebraska	474,046:	1,928,477:	955,969:		657,882:	4,016,374:	8,364,000:	12,380,374:	32.4
Nevada	58,593:	327,334:	120,677:		118,733:	625,337:	1,195,000:	1,820,337:	34.4
New Hampshire	181,128:	604,517:	368,383:		364,720:	1,518,748:	3,357,000:	4,875,748:	31.1
New Jersey	884,494:	4,229,945:	2,027,782:		3,424,979:	10,567,200:	25,540,000:	36,107,200:	29.3
New Mexico	383,172:	1,927,079:	962,397:		719,728:	3,992,376:	6,003,000:	9,995,376:	39.9
New York	4,309,728:	11,099,530:	8,115,592:		9,316,588:	32,841,438:	106,299,000:	139,140,438:	23.6
North Carolina	2,554,025:	7,764,127:	5,945,544:		2,021,869:	18,285,565:	31,924,000:	50,209,565:	36.4
North Dakota	309,419:	895,609:	646,281:		385,893:	2,237,202:	3,766,000:	6,003,202:	37.3
Ohio	2,648,941:	10,803,717:	5,388,179:		6,140,929:	24,981,766:	58,540,000:	83,521,766:	29.9
Oklahoma	835,837:	4,094,608:	1,923,007:		979,791:	7,833,243:	10,945,000:	18,778,243:	41.7
Oregon	637,653:	2,519,021:	1,199,654:		522,218:	4,878,546:	10,118,000:	14,996,546:	32.5
Pennsylvania	2,810,547:	9,232,706:	5,719,131:		4,517,802:	22,280,186:	65,129,000:	87,409,186:	25.5
Puerto Rico	1,055,533:	2,920,186:	3,676,267:		--	7,651,986:	9,338,000:	16,989,986:	45.0
Rhode Island	130,392:	378,371:	311,515:		381,506:	1,201,784:	3,300,000:	4,501,784:	26.7
Samoa	11,451:	72,687:	25,000:		--	109,138:	220,000:	329,138:	33.2
South Carolina	1,367,727:	4,201,402:	3,683,687:		647,364:	9,900,180:	18,181,000:	28,081,180:	35.3
South Dakota	219,908:	775,511:	536,725:		419,459:	1,951,603:	3,124,000:	5,075,603:	38.5
Tennessee	1,547,726:	7,255,125:	3,881,111:		2,035,242:	14,719,204:	23,010,000:	37,729,204:	39.0
Texas	2,774,474:	10,221,818:	6,668,444:		3,744,079:	23,408,815:	41,230,000:	64,638,815:	36.2
Trust Territories	--	240,486:	--		--	240,486:	--	240,486:	100.0
Utah	474,234:	1,975,260:	965,236:		367,895:	3,782,625:	6,707,000:	10,489,625:	36.1
Vermont	111,349:	439,279:	244,832:		193,686:	989,146:	1,554,000:	2,543,146:	38.9
Virginia	1,631,648:	6,036,275:	3,644,681:		1,657,550:	12,970,154:	31,271,000:	44,241,154:	29.3
Virgin Islands	47,063:	89,617:	80,964:		--	217,644:	347,000:	564,644:	38.5
Washington	984,733:	2,707,071:	1,763,772:		1,438,857:	6,894,433:	19,045,000:	25,939,433:	26.6
West Virginia	679,908:	2,315,372:	1,627,645:		574,404:	5,197,329:	9,105,000:	14,302,329:	36.3
Wisconsin	1,237,761:	4,379,052:	2,507,948:		3,565,277:	11,690,038:	19,356,000:	31,046,038:	37.7
Wyoming	127,288:	312,372:	222,444:		126,965:	789,069:	1,707,000:	2,496,069:	31.6
Total	59,458,642:	212,949,375:	130,434,902:		95,103,764:	497,946,683:	1,089,954,000:	1,587,900,683:	31.4

a/ Includes Section 6 under Direct Appropriation and transfer from Section 32.

b/ Includes Surplus Commodities acquired under price support (Section 416) and Surplus removal programs (Section 32).

c/ Schools only, excludes Special Milk Program in other outlets.

d/ Contributions from the several sources within the States -- State and local government contributions, other local contributions, and payments by children.

UNITED STATES DEPARTMENT OF AGRICULTURE
Consumer and Marketing Service
Washington, D.C. 20250

TABLE IV

SL-2-65

NATIONAL SCHOOL LUNCH PROGRAM

NUMBER OF CHILDREN AND SCHOOLS PARTICIPATING

Fiscal Year 1965 ^{1/}

STATE	CHILDREN IN ELEMENTARY AND SECONDARY SCHOOLS			ELEMENTARY AND SECONDARY SCHOOLS	
	Total	Number	Percent	Number	
	Enrollment 2/	Participating	Participation	Participating	
	(1)	(2)	(3)	(4)	
NORTHEAST					
Connecticut	669,579	172,290	25.7	705	
Delaware	123,759	41,573	33.6	152	
District of Columbia	166,396	23,462	14.1	47	
Maine	253,446	89,471	35.3	648	
Maryland	872,372	255,330	29.3	980	
Massachusetts	1,253,069	424,079	36.8	1,354	
New Hampshire	160,270	52,204	32.6	324	
New Jersey	1,551,245	252,672	16.2	1,077	
New York	3,967,000	1,240,248	31.3	4,041	
Pennsylvania	2,822,290	806,253	28.6	3,166	
Rhode Island	203,401	36,317	17.9	181	
Vermont	99,562	37,222	37.4	335	
West Virginia	453,248	191,663	42.3	1,402	
Area	12,595,637	3,622,784	28.8	14,412	
SOUTHEAST					
Alabama	850,639	431,777	50.8	1,493	
Florida	1,271,360	643,659	50.6	1,627	
Georgia	1,067,981	621,044	58.2	1,839	
Kentucky	750,933	451,698	60.1	1,817	
Mississippi	597,854	318,194	53.2	982	
North Carolina	1,197,911	689,731	57.6	1,896	
Puerto Rico	679,994	276,902	40.7	2,161	
South Carolina	648,408	375,818	58.0	1,184	
Tennessee	895,431	440,486	49.2	1,767	
Virginia	1,024,455	467,909	45.7	1,646	
Virgin Islands	12,269	8,250	67.2	31	
Area	8,997,235	4,725,468	52.5	16,443	
MIDWEST					
Illinois	2,567,343	571,800	22.3	3,283	
Indiana	1,228,180	463,678	37.8	1,809	
Iowa	717,131	359,766	50.2	1,707	
Michigan	2,253,620	512,658	22.7	2,228	
Minnesota	955,922	455,369	47.6	1,673	
Missouri	1,114,312	464,478	41.7	2,520	
Nebraska	373,864	149,002	39.9	714	
North Dakota	168,127	87,261	51.9	571	
Ohio	2,610,024	772,528	29.6	2,582	
South Dakota	187,345	64,467	34.4	349	
Wisconsin	1,087,415	370,284	34.1	2,392	
Area	13,263,283	4,271,291	32.2	19,828	
SOUTHWEST					
Arkansas	460,484	234,627	51.0	1,010	
Colorado	519,128	195,878	37.7	970	
Kansas	557,861	228,211	40.9	1,142	
Louisiana	927,337	643,926	69.4	1,679	
New Mexico	287,330	114,806	40.0	545	
Oklahoma	621,300	235,446	37.9	1,576	
Texas	2,614,277	800,870	30.6	3,334	
Area	5,987,717	2,453,764	41.0	10,256	
WESTERN					
Alaska	58,298	19,322	33.1	119	
Arizona	397,295	149,493	37.6	500	
California	4,531,400	882,503	19.5	4,025	
Guam	21,124	6,199	29.3	29	
Hawaii	188,033	126,155	67.1	215	
Idaho	181,505	81,521	44.9	509	
Montana	185,643	56,853	30.6	489	
Nevada	103,804	17,222	16.6	107	
Oregon	475,871	184,543	38.8	988	
Samoa, American	8,047	4,010	49.8	23	
Utah	288,731	132,487	45.9	476	
Washington	776,174	258,117	33.3	1,440	
Wyoming	91,926	31,906	34.7	273	
Area	7,307,851	1,950,331	26.7	9,193	
Grand Total	48,151,723	17,023,638	35.4	70,132	

^{1/} Data for December 1964, and represent the average number of children participating in the program for that month. The number of schools and children may have been higher in some States during other months but December was the peak month of participation nationally.

^{2/} Source: Latest data available from the Office of Education. Enrollment data for public schools are for Fall 1964. Private school enrollment is for 1961-62.

TABLE V

Commodities Distributed to the School Lunch Programs during Fiscal Years 1964 and 1965:

Program and Commodity	Fiscal Year 1964		Fiscal Year 1965	
	Pounds	Dollars	Pounds	Dollars
Direct Purchases:				
Section 6: (Included Section 32 Transfer)				
Apples & Applesauce	23,344,368	\$2,783,602	35,497,287	\$3,607,951
Apricots	9,923,136	1,461,678	12,373,272	1,905,484
Beans	13,054,141	1,297,582	13,721,701	1,358,448
Beef products	33,419,718	13,802,343	--	--
Cherries	1,241,301	141,881	25,202,720	2,789,941
Chickens	50,617,636	15,886,286	53,175,212	16,644,523
Corn	21,583,500	2,018,057	11,292,710	1,210,578
Peaches	24,445,028	2,857,624	26,752,496	3,237,052
Peas	10,082,998	1,044,598	11,324,963	1,190,254
Pineapple	413,635	54,186	12,398,937	1,656,498
Pork products	23,641,183	12,402,164	906,415	475,505
Sweet potatoes	12,032,569	1,258,607	12,616,246	1,264,148
Tomato products	33,143,897	4,261,463	34,937,672	4,238,378
Turkeys	--	--	60,943,843	19,879,882
Total, Section 6	256,943,110	59,270,071	311,143,474	59,458,642
Donated Commodities:				
Section 32:				
Apples, fresh	13,213,802	877,264	--	--
Beans, dried	11,237,314	937,754	10,955,507	883,014
Beef products	10,584,370	5,993,823	152,116,230	96,428,115
Butter	--	--	73,699,199	44,853,333
Cheese	--	--	35,092,281	13,868,469
Cranberries	5,564,653	892,348	8,375	1,343
Date pieces	--	--	2,475,000	456,638
Eggs, dried	6,468,534	6,865,379	1,322,319	1,414,881
Honey	467,240	106,344	--	--
Lard	29,693,202	4,103,304	31,347,002	4,868,189
Meat products	102,398	37,590	126,000	46,129
Milk	781,579	150,141	9,033,993	1,472,541
Olives	2,338,301	740,119	4,049,284	1,410,366
Peaches, fresh	12,654	988	--	--
Pears, fresh	--	--	5,843,898	513,679
Peanut butter	9,914,339	2,837,880	14,250,492	4,109,842
Peas, dried split	--	--	1,513,695	120,641
Plums, canned	--	--	8,447,822	764,528
Plums, fresh	71,040	8,330	68,964	8,055
Pork	10,820,167	5,391,797	13,808	6,881
Potatoes, sweet	--	--	--	--
Prunes, dried canned	--	--	15,138,731	1,987,715
Turkeys	43,531,965	14,723,816	--	--
Total, Section 32	144,801,558	43,666,877	365,502,600	173,214,359
Section 416:				
Beans	12,890,194	1,075,687	16,419,860	1,323,441
Bulgur	1,716,904	108,371	1,689,362	117,748
Butter	94,780,398	56,326,095	25,614,098	15,588,740
Cheese	47,600,633	18,216,286	15,862,514	6,268,866
Cornmeal	18,659,280	676,772	18,335,969	683,932
Flour	146,063,881	7,940,033	163,230,433	9,369,427
Grits, corn	456,076	16,542	548,838	20,472
Milk	27,768,356	4,515,204	21,121,553	3,442,813
Rice	24,967,892	2,471,821	25,617,150	2,446,438
Shortening	781,579	150,141	--	--
Wheat, rolled	7,651,490	496,582	7,570,218	473,139
Total, Section 416	383,336,683	91,993,534	296,009,995	39,735,016
TOTAL	785,081,351	194,930,482	972,656,069	272,408,017

(e) Food Stamp Program

	Direct Appropriation	Transfer from Section 32 Funds	Total
Appropriation Act, 1966.....	\$80,000,000	--	\$80,000,000
Reappropriation.....	20,000,000	--	20,000,000
Transferred to "Operating Expenses, Public Buildings Service, General Services Administration" for space rental.....	-8,000	--	-8,000
Base for 1967.....	99,992,000	--	99,992,000
Budget Estimate, 1967.....	-0-	+150,000,000	150,000,000
Increase.....	-99,992,000	+150,000,000	50,008,000

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases		1967 (estimated)
			Pay Costs (P.L. 89-301):	Other (1):	
1. Program costs.....	\$34,154,525	\$96,650,000	--	+\$47,250,000	\$143,900,000
2. Operating expenses..	1,405,917	3,342,000	--	+2,758,000	6,100,000
Unobligated balance....	20,089,558	--	--	--	--
Total increased pay costs (P.L. 89-301)...	(--)	(80,000)	(+13,700)	(+77,000)	(170,700)
Total available or estimate.....	55,650,000	99,992,000	--	+\$50,008,000	150,000,000

An increase of \$47,250,000 for food stamp program expansion.

This Nation has an abundance of food and the capacity to distribute it through an efficient commercial marketing system. The purpose of the Food Stamp Program is to utilize this marketing system to provide a more equitable share of our food to families whose low income is a substantially limiting factor in the attainment of an adequate diet.

The population groups which the Food Stamp Program is designed to benefit are:

- Those families who are receiving some type of welfare assistance--primarily, the unemployables, i.e., the aged, the blind, the disabled, mothers with dependent children.
- Other families with incomes as low or lower than that of families receiving welfare assistance but who, for a variety of reasons, are not eligible for welfare assistance. This may include those living on small pensions, the unemployed, the underemployed, and those whose training limits them to unskilled low-paying employment.

Under the program families must invest the money they would normally spend for food in the purchase of food stamps. In return, they receive additional stamps without charge. Thus the normal food budget continues to be spent for food and the Federal assistance provided results in the purchase of more food. The increase in retail food stores sales (averaging about 8 percent) in areas in which the program is operating results in a further expansion in farm markets and acts as a stimulant to the over-all economy of those areas.

During fiscal year 1966, the program is being expanded to about 1.3 million persons in approved areas throughout the country. State welfare agencies request the areas in which they desire the program. With the continuing improvement in employment in larger and more industrialized areas, States have placed a priority on getting the program started in smaller and more rural areas within the State. As a result, there is a widening geographic dispersion of project areas within the various States.

The 1967 budget request is in line with the intent of the Food Stamp Act of 1964, to progressively expand the program to all areas of the country that desire to participate.

Plan of Work: By June 30, 1966, it is estimated that the program will be operating at a \$120 million annual rate. The budget request will (1) finance the annualization costs of the program level reached in 1966 and (2) permit further expansion in 1967 to an estimated 570,000 needy people located in 150 or more areas. (The exact number of areas and participants will depend upon the size of the areas requested by State welfare agencies.)

(2) An increase of \$2,758,000 for operating expenses.

Need for Increase: The increase is necessary to provide for the required continuing close Federal supervision of the expanded 1967 program. The level of Federal supervision, basically, is obtained through the establishment of local field offices, covering one or more project areas. Staff in these local offices assist and supervise State agency operations in carrying out its responsibility for the certification of applicant households and in the sale, issuance, and accounting for food coupons. The staff has direct responsibility for the approval and supervision of retail food stores and wholesale food concerns. They also work with commercial banks, assisting them in the solution of problems encountered in the redemption of coupons from participating food concerns.

During the pilot phase of the program, an average full-year rate of 2.7 man-years of Federal employment was required for each participating project area. This will have been reduced to an average full-year rate of approximately 2.0 man-years per area by the end of 1966. This reduced rate is expected to continue in 1967.

The increase in 1967 is needed for 246 man-years to cover the annualization costs of the personnel added during the opening of new project areas in 1966 as well as to provide staff for the 150 or more project areas to be added in 1967.

STATUS OF PROGRAM

Current Activities:

The Food Stamp program's specific purpose is to grant a more equitable share of our food abundance to low-income households. The increased food purchasing power furnished to participants is designed for use in this Nation's highly efficient commercial retail outlets. The local economy thereby benefits from increased food sales and the farmer from increased demand for his produce as the low income households obtain a better diet.

The program was started late in fiscal year 1961 on a pilot basis to test the effectiveness of this approach. Special evaluation studies clearly showed the program was achieving its goals. The success of the pilot operations led to enactment of the Food Stamp Act of 1964 (Public Law 88-525) on August 31, 1964. This legislation provided continuing permanent authority for the program and authorized appropriations of not to exceed \$75, \$100, and \$200 million for fiscal years 1965, 1966, and 1967, respectively, and not in excess of the amount authorized by Congress for any subsequent fiscal year.

Additional food purchasing power is provided to low-income households through the issuance of food coupons of higher monetary value than the cash required to be exchanged by recipients for these coupons. The cash requirement, generally, is based on family size and income, and represents the family's normal food expenditure. The supplemental food purchasing power--or bonus coupons--provided free of charge, again based on family size and income, permit the family to upgrade their diet. Under the new legislation, the coupons may be used to purchase any food item, except certain imported items, at any approved retail outlet.

The Food Stamp Act stipulates that States wishing to participate in the program should file applications listing the areas in the State in need of the program and suggested timing of their entrance into the program. Within available funds, the Department is required to select new areas from these requests, under guidelines that require equitable treatment among the various States in relationship to relative need and the States' readiness to assume their administrative responsibilities. Upon selection by USDA a plan of operation is submitted by the State for Departmental approval. State welfare agencies must assume basic intrastate responsibility for certification of eligible recipients and issuance of the food coupons. The State welfare agency, which administers the Federally-aided public assistance programs, is responsible for the certification of eligible households for the program through its local counterpart offices. Coupon issuance may be delegated to City or county governmental units or by contract arrangements between the State or local agency and local banks.

Retail food stores redeem the coupons (for cash or credit) at commercial banks which must redeem them at face value. The coupons then flow through regular banking channels to the Federal Reserve banks where they are redeemed and subsequently destroyed.

Program costs borne by the Federal government include the cost of printing and transporting coupons to authorized State agencies, payments to Federal Reserve Banks in connection with destruction of the redeemed coupons, and a portion of the State welfare agencies cost of certifying non-public assistance households. In fiscal 1965 these costs amounted to \$1,649,696.

Selected examples of recent progress and trends

A. Program trends

1. Program expansion

Fiscal 1965 marked the authorization of a permanent food stamp program and the beginning of a progressive expansion to all areas of the nation wishing to participate. Immediately following the President's approval of the Food Stamp Act of 1964, the welfare agencies of all 50 States were contacted. They were informed of the provisions of the new Act and were requested to submit applications on behalf of their political subdivisions that desired to participate. From the replies received and after further consultations with State welfare officials new project areas were approved and announced in October, 1964.

Detailed negotiations then were held with the 39 States and the District of Columbia which had made a final commitment to participate. These negotiations involved (1) a review, revision, and refinement in eligibility standards to insure they were in compliance with the provisions of the new Act; (2) a detailed review of the Statewide public assistance program and the general assistance programs operated in each of the designated project areas in order to gear the stamp program into such assistance programs; and (3) technical assistance to the States and project areas in the development of systems and facilities for the sale of coupons to recipients, in procedural instructions for the certification of applicant households, and in program educational and informational materials for recipients and the community in general.

Eight new areas began operation in February and 59 additional new projects followed quickly as shown below:

Food Stamp Program Expansion - Table I.
Fiscal Year 1965

	:Number of : States	:Number of : Areas	: Participation	:Value of Bonus :Coupons Issued
July	: 22	: 43	: 352,852	: \$2,286,172
August	: 22	: 43	: 350,550	: 2,235,409
September	: 22	: 43	: 344,164	: 2,206,731
October	: 22	: 43	: 344,587	: 2,198,197
November	: 22	: 43	: 348,952	: 2,215,996
December	: 22	: 43	: 354,766	: 2,267,440
January	: 22	: 43	: 357,443	: 2,248,640
February	: 22	: 51	: 385,959	: 2,448,353
March	: 23	: 70	: 442,359	: 2,910,802
April	: 25	: 90	: 561,261	: 3,594,465
May	: 25	: 105	: 620,238	: 3,904,035
June	: 29	: 110	: 632,863	: 3,988,630

Some of the large urban areas that became operational in the spring included Chicago, Cincinnati and Denver. Program areas are shown by State on Table II.

2. Bonus coupon trends

Project area bonus coupon rates continued to vary widely within a range of 26 to 62 percent of the total coupons issued. The total program average remained remarkably stable, however, at 38 percent bonus and 62 percent cash paid by the recipients. The program average per participant shows food coupons worth \$16.77 were granted in exchange for \$10.39 cash each month.

The coupon purchase requirements were completely revised during the last five months of the fiscal year in the old pilot areas as well as the new areas. The changes were the result of a special survey made in St. Louis, Missouri and data which became available from nationwide household expenditure studies of the Bureau of Labor Statistics.

B. Operating expenses

One of the primary operating principles gained from the pilot food stamp operation was that the success of the program was dependent upon careful pre-program planning with States and food concerns, and continuing close supervision after inauguration of the program. Under this approach, careful certification of applicant households and proper accountability for coupons and the cash payments of recipients could be obtained and assurance could be provided that there would be an acceptable level of compliance on the part of participating retail stores.

The importance of pre-program efforts to the success and acceptance of the Food Stamp Program has been illustrated by the fact that no major operating weaknesses have been revealed in reviewing 40 of the new areas entering the program from February to September 1965.

1. State Agency Cooperation

Under the Act basic certification and issuance activities are the responsibility of the State welfare agencies. During the pilot stage of the program these agencies did not develop permanent State-level organizations and staffs for the program due to the smallness of the program and its uncertain future. Development of adequate State-level staffs was one of the main tasks, therefore, of 1965. As more State level supervision is obtained and the program reaches its maximum scope the intensity of local Federal supervision of certification and issuance functions may well be reduced.

2. Retail-Wholesale Workload

C&MS has direct responsibility for the supervision of retail food stores and wholesale food concerns that elect to accept food coupons. In addition to re-authorizing the 12,000 retailers that had gained experience in the program under its pilot phase, 7,000 retail stores and wholesale concerns were brought into the Program for the first time in 1965. This work involved activities to fully acquaint

store owners and employees with the purposes of the program, their responsibilities and rights under the program, and the acceptance and review of an application from each individual store or concern, and action to approve or deny each application.

These pre-program activities are essential if a continued high level of compliance is to be maintained from retailers and wholesalers. It is during the pre-program period that a "climate" for compliance can be established through a thorough briefing of retailers on the food stamp rules they must follow and through a careful authorization procedure for individual retailers who desire to participate.

The Food Stamp Act provides that retail and wholesale concerns have the right to request review of any action that denied it authorization to participate in the Program or disqualified it because of program violations. During the course of the fiscal year, rules of procedure were developed for the granting of such review rights to affected firms and, at the close of the year, these rules were in the process of final clearance prior to official publication in the Federal Register.

Food Stamp Program
Fiscal Year 1965

TABLE II

Area (City or County)	No. of months in Operation	June Partici- pation	Value of Purchased Coupons	Value of Bonus Coupons	Total Value of Coupons Issued	Per- cent Bonus of Total	Bonus Rate Per Person
<u>ALABAMA</u>							
Jefferson	12	12,170	\$766,640	\$1,099,122	\$1,865,762	59	\$6.86
Walker	12	5,090	410,803	433,037	843,840	51	6.74
<u>ARKANSAS</u>							
Independence	12	1,249	100,762	100,516	201,278	50	6.89
Phillips	2	5,437	71,063	65,365	136,428	48	6.27
Pulaski	4	4,225	125,736	98,694	224,430	44	6.00
<u>CALIFORNIA</u>							
Humboldt	12	1,150	181,247	73,184	254,431	29	5.46
<u>COLORADO</u>							
Adams	2	1,723	34,725	14,967	49,692	30	4.95
Clear Creek	2	24	824	349	1,173	30	6.71
Denver	4	7,777	340,636	148,612	489,248	30	5.74
Gilpin	2	19	597	247	844	29	5.88
Jefferson	2	602	14,965	6,288	21,253	30	5.35
<u>CONNECTICUT</u>							
Waterbury District.	1	2,187	24,868	9,988	34,856	29	4.57
<u>GEORGIA</u>							
Rabun	3	408	12,092	7,546	19,638	38	6.41
Stephens	3	247	7,238	5,466	12,704	43	7.26
<u>ILLINOIS</u>							
Cook	3	82,052	2,944,219	1,156,271	4,100,490	28	5.59
Franklin	12	2,202	434,044	166,772	600,816	28	5.95
<u>INDIANA</u>							
Harrison	4	486	19,889	14,436	34,325	42	6.47
Perry	3	575	22,227	14,114	36,341	39	6.20
Posey	3	413	14,016	8,495	22,511	38	6.53
Spencer	4	485	20,212	13,528	33,740	40	6.05
Vanderburgh	12	4,366	536,587	312,004	848,591	37	5.99
<u>KANSAS</u>							
Bourbon	2	200	4,917	2,171	7,088	31	5.95
Cherokee	2	577	13,686	5,952	19,638	30	6.09
Crawford	3	1,034	42,724	18,457	61,181	30	6.34
Rice	12	60	11,716	4,551	16,267	28	5.93
<u>KENTUCKY</u>							
Breathitt	5	4,415	171,498	150,366	321,864	47	6.77
Floyd	12	6,736	509,646	475,969	985,615	48	6.34
Johnson	5	2,917	83,052	107,894	190,946	57	7.60
Knott	12	5,947	500,990	411,704	912,694	45	6.22
Leslie	4	3,603	91,554	94,018	185,572	51	7.01
Letcher	4	3,775	112,398	109,390	221,788	49	6.94
Magoffin	4	3,224	69,720	103,562	173,282	60	7.86
Martin	5	2,749	71,442	101,818	173,260	59	7.56
Owsley	5	1,717	44,176	69,084	113,260	61	7.96
Perry	12	7,839	589,334	552,665	1,141,999	48	6.36

Food Stamp Program
Fiscal Year 1965

TABLE II
Continued

Area (City or County)	:No. of: :months: : in :Opera- :tion :	: June :Partici- :pation :	: Value of : Purchased : Coupons :	: Value of : Bonus : Coupons :	: Total Value : of Coupons : Issued :	: Per- :cent : of : Total :	: Bonus : Rate : Per : Person :
LOUISIANA	:	:	:	:	:	:	:
Acadia Parish	6	4,254	121,420	154,895	276,315	56	7.40
Avoyelles Parish ..	12	7,867	447,024	584,730	1,031,754	57	6.92
Evangeline Parish..	12	11,003	711,382	845,020	1,556,402	54	6.86
Natchitoches Parish,	3	4,333	65,265	80,440	145,705	55	7.03
Pointe Coupee Parish:	4	4,657	84,881	97,509	182,390	53	6.73
St. Landry Parish ..	4	13,297	252,938	327,521	580,459	56	7.01
St. Martin Parish ..	2	4,120	37,013	48,171	85,184	57	7.10
Vermillion Parish ..	2	1,727	17,193	23,236	40,429	57	7.19
Winn Parish	3	573	13,546	9,541	23,087	41	6.28
MICHIGAN	:	:	:	:	:	:	:
Detroit	12	42,585	8,201,182	3,542,992	11,744,174	30	5.90
Gogebic	2	1,402	30,215	12,910	43,125	30	4.72
Houghton	1	1,574	19,867	8,472	28,339	30	5.38
MINNESOTA	:	:	:	:	:	:	:
Carlton	12	856	139,970	58,345	198,315	29	5.46
Itasca	12	989	171,330	87,598	258,928	34	5.92
Koochiching	3	589	24,259	9,807	34,066	29	5.46
Lake	3	244	11,056	4,909	15,965	31	5.86
St. Louis	12	6,752	1,352,917	463,699	1,816,616	26	5.14
MISSOURI	:	:	:	:	:	:	:
City of St. Louis ..	12	14,370	1,319,438	1,093,749	2,413,187	45	6.96
MONTANA	:	:	:	:	:	:	:
Silver Bow	12	1,168	207,738	90,814	298,552	30	6.53
NEBRASKA	:	:	:	:	:	:	:
Lancaster	1	1,030	11,855	5,517	17,372	32	5.36
NEW MEXICO	:	:	:	:	:	:	:
Mora 1/	12	999	--	--	--	--	--
Rio Arriba	4	2,228	75,473	65,711	141,184	47	7.20
Sandoval	3	1,550	29,787	33,727	63,514	53	7.80
San Miguel	12	3,205	407,392	307,743	715,135	43	8.08
Santa Fe	12	2,713	280,867	221,744	502,611	44	7.92
Taos	4	2,101	84,634	69,161	153,795	45	7.07
NORTH CAROLINA	:	:	:	:	:	:	:
Forsyth	4	2,082	85,706	45,640	131,346	35	5.85
Halifax	4	6,205	118,082	131,152	249,234	53	6.04
Martin	4	1,878	61,860	64,460	126,320	51	6.70
Nash	12	2,322	334,823	307,800	642,623	48	6.22
Northampton	4	1,507	46,842	54,217	101,059	54	6.89
Surry	4	1,036	29,106	30,643	59,749	51	7.22
OHIO	:	:	:	:	:	:	:
Cuyahoga	12	58,414	7,322,924	4,771,733	12,094,657	39	6.92
Hamilton	3	31,597	929,487	531,063	1,460,550	36	6.46
Lucas	12	15,586	2,082,207	1,197,338	3,279,545	37	6.50
OREGON	:	:	:	:	:	:	:
Multnomah	12	9,830	1,503,366	607,592	2,110,958	29	4.88

Food Stamp Program
Fiscal Year 1965

TABLE II
Continued

Area (City or County)	No. of Months in Operation	June Partici- pation	Value of Purchased Coupons	Value of Bonus Coupons	Total Value of Coupons Issued	Per- cent of Total	Bonus Rate Per Person
PENNSYLVANIA							
Allegheny 2/	12	54,297	6,361,396	2,951,210	9,312,606	32	6.01
Cambria	12	7,215	1,189,286	597,821	1,787,107	33	6.35
Clearfield	2	4,769	103,219	53,153	156,372	34	5.52
Fayette	12	15,606	2,566,172	1,329,428	3,895,600	34	6.40
Greene	2	2,408	46,962	25,243	72,205	35	5.42
Indiana	2	2,973	54,267	27,810	82,077	34	4.58
Luzerne	12	10,205	1,570,994	791,368	2,362,362	33	6.23
Somerset	2	3,838	85,017	45,051	130,068	35	5.81
SOUTH CAROLINA							
Dillion	1	4,441	19,902	32,948	52,850	62	7.42
TENNESSEE							
Campbell	5	4,660	116,754	157,056	273,810	57	7.75
Claibourne	5	2,763	76,904	98,876	175,780	56	7.77
Fayette	3	6,601	91,320	122,990	214,310	57	6.87
Grundy	12	1,147	85,659	131,802	217,461	61	7.51
Hamilton	12	5,068	491,730	391,604	883,334	44	6.12
Hardeman	2	3,768	42,318	48,092	90,410	53	6.74
Haywood	3	8,341	135,630	166,505	302,135	55	6.92
Marion	12	2,127	143,398	215,023	358,421	60	7.32
Scott	5	3,177	102,248	125,698	227,946	55	7.53
Sequatchie	12	288	29,050	23,814	52,864	45	6.33
UTAH							
Weber	1	1,874	24,295	11,289	35,584	32	6.02
VIRGINIA							
Dickenson	12	2,441	145,368	213,270	358,638	59	7.09
Lee	12	2,824	170,848	229,901	400,749	57	7.01
Wise	12	2,375	153,256	234,459	387,715	60	7.24
WASHINGTON							
Grays Harbor	12	1,703	231,467	92,968	324,435	29	5.91
WEST VIRGINIA							
Logan	12	7,448	914,720	585,931	1,500,651	39	6.34
McDowell	12	8,527	1,071,872	652,510	1,724,382	38	6.71
Mingo	12	7,734	908,052	596,699	1,504,751	40	5.93
Wayne	12	5,351	613,731	423,337	1,037,068	41	6.57
WISCONSIN							
Douglas	12	1,540	230,148	102,389	332,537	31	5.69
Iron	12	354	47,629	22,970	70,599	33	6.51
Langlade	4	1,270	56,725	28,666	85,391	34	5.70
Price	4	867	36,632	20,332	56,964	36	6.29
WYOMING							
Campbell	3	42	1,492	698	2,190	32	
Fremont	3	285	8,660	4,541	13,201	34	
Johnson	3	44	1,359	527	1,886	28	
Lincoln	3	71	2,391	1,266	3,657	35	6.96
Sublette	3	27	720	592	1,312	45	
Teton	3	18	742	418	1,160	36	
Weston	3	53	1,272	640	1,912	33	
TOTAL		632,863	52,966,893	32,505,096 1/2	85,471,989 3/4	38	6.38

1/ Included in Santa Fe figures.
 2/ Amounts shown include City of Pittsburgh project area activity for 9 months until Allegheny project opened in April.
 3/ Excludes adjustments of \$267.

Food Stamp Projects Opened Since July 1, 1965
In Operation as of November 30, 1965

TABLE III

Area (City or County)	:No of : :months:November: : in :Partici-: :Opera-: pation : : tion :	: Value of : : Purchased : : Coupons :	: Value of : : Bonus : : Coupons :	: Cumulative July 1, through November 30, 1965 : Total Value : : of Coupons : : Issued :	: Per- : : cent : : Bonus : : of : : Total :	: Bonus : : Rate : : Per : : Person :
ARKANSAS						
Conway	: 1 :	: 639 :	: \$5,872 :	: \$3,958 :	: \$9,830 :	: 40 : \$6.19
Faulkner	: 1 :	: 496 :	: 5,996 :	: 2,996 :	: 8,992 :	: 33 : 6.04
Monroe	: 1 :	: 1,287 :	: 8,060 :	: 9,142 :	: 17,202 :	: 53 : 7.10
Perry	: 1 :	: 478 :	: 5,252 :	: 2,890 :	: 8,142 :	: 35 : 6.05
COLORADO						
Rio Grande	: 1 :	: 486 :	: 4,321 :	: 2,350 :	: 6,671 :	: 35 : 4.84
DISTRICT OF COLUMBIA	: 5 :	: 15,550 :	: 718,805 :	: 419,286 :	: 1,138,091 :	: 37 : 6.48
GEORGIA						
Bibb	: 1 :	: 1,818 :	: 16,378 :	: 11,938 :	: 28,316 :	: 42 : 6.57
Hall	: 5 :	: 713 :	: 34,152 :	: 23,520 :	: 57,672 :	: 41 : 6.74
INDIANA						
Gibson	: 1 :	: 478 :	: 4,470 :	: 3,031 :	: 7,501 :	: 40 : 6.34
Pike	: 1 :	: 292 :	: 2,952 :	: 1,798 :	: 4,750 :	: 38 : 6.16
Warrick	: 1 :	: 435 :	: 5,198 :	: 2,690 :	: 7,888 :	: 34 : 6.18
KENTUCKY						
Harlan	: 1 :	: 4,827 :	: 42,550 :	: 30,050 :	: 72,600 :	: 41 : 6.23
Lee	: 2 :	: 1,333 :	: 16,504 :	: 18,927 :	: 35,431 :	: 53 : 7.40
Morgan	: 2 :	: 1,033 :	: 14,962 :	: 16,304 :	: 31,266 :	: 52 : 7.23
Pike	: 1 :	: 4,657 :	: 39,050 :	: 30,040 :	: 69,090 :	: 43 : 6.45
Wolfe	: 2 :	: 795 :	: 12,794 :	: 9,864 :	: 22,658 :	: 44 : 6.48
LOUISIANA						
Assumption	: 1 :	: 162 :	: 1,599 :	: 926 :	: 2,525 :	: 37 : 5.72
MARYLAND						
Dorchester	: 5 :	: 247 :	: 15,473 :	: 7,785 :	: 23,258 :	: 33 : 6.50
Queen Annes	: 1 :	: 49 :	: 658 :	: 354 :	: 1,012 :	: 35 : 7.22
MICHIGAN						
Wayne	: 5 :	: 49,854 :	: 3,086,966 :	: 1,294,305 :	: 4,381,271 :	: 30 : 5.44
MINNESOTA						
Ramsey	: 5 :	: 7,820 :	: 595,710 :	: 209,806 :	: 805,516 :	: 26 : 5.31
MISSISSIPPI						
Chickasaw	: 3 :	: 2,214 :	: 47,998 :	: 45,429 :	: 93,427 :	: 49 : 6.92
Coahoma	: 1 :	: 2,267 :	: 19,422 :	: 14,935 :	: 34,357 :	: 43 : 6.59
Harrison	: 5 :	: 2,306 :	: 53,024 :	: 82,167 :	: 135,191 :	: 61 : 6.85
Jones	: 5 :	: 3,201 :	: 99,969 :	: 108,042 :	: 208,011 :	: 52 : 7.38
Lowndes	: 3 :	: 2,114 :	: 45,023 :	: 44,711 :	: 89,734 :	: 50 : 6.99
Madison	: 2 :	: 4,915 :	: 41,880 :	: 61,363 :	: 103,243 :	: 59 : 7.33
NEBRASKA						
Saunders	: 1 :	: 118 :	: 1,723 :	: 987 :	: 2,710 :	: 36 : 8.36
NEW MEXICO						
Harding	: 1 :	: 72 :	: 848 :	: 482 :	: 1,330 :	: 36 : 6.69
Quoy	: 1 :	: 388 :	: 4,556 :	: 2,538 :	: 7,094 :	: 36 : 6.54
NORTH CAROLINA						
Bertie	: 1 :	: 1,468 :	: 10,198 :	: 9,738 :	: 19,936 :	: 49 : 6.63
Chowan	: 1 :	: 204 :	: 1,506 :	: 1,388 :	: 2,894 :	: 48 : 6.80

Food Stamp Projects Opened Since July 1, 1965
In Operation as of November 30, 1965

TABLE III
Continued

Area (City or County)	:No of : :months:November: :in :Partici-: :Opera-: pation : :tion :	:	Cumulative July 1 through November 30, 1965					:	Per- : cent : Bonus of : Rate Total : Per Person	:
			Value of : Purchased : Coupons :	Value of : Bonus : Coupons :	Total Value : of Coupons : Issued :					
<u>RHODE ISLAND</u>										
City of Providence ..	1	:	4,000 ^{a/}	49,517	21,622	71,139	30	:	5.41 ^{a/}	
<u>TENNESSEE</u>										
Dyer	1	:	1,108	9,260	7,479	16,739	45	:	6.75	
Lauderdale	1	:	4,215	21,452	31,164	52,616	59	:	7.39	
<u>TEXAS</u>										
Tarrant	2	:	4,423	81,039	53,781	134,820	40	:	6.82	
<u>UTAH</u>										
Box Elder	1	:	117	1,700	750	2,450	31	:	6.41	
Morgan	1	:	10	146	64	210	30	:	6.40	
<u>VERMONT</u>										
St. Albans Wil. Dist.	1	:	1,181	13,305	6,142	19,447	32	:	5.20	
<u>WASHINGTON</u>										
Pacific	1	:	332	4,931	1,940	6,871	28	:	5.84	
Thurston	1	:	1,285	18,172	6,957	25,129	28	:	5.41	
<u>WEST VIRGINIA</u>										
Boone	2	:	2,602	50,178	36,120	86,298	42	:	7.37	
Clay	1	:	1,810	17,340	13,466	30,806	44	:	7.44	
Fayette	2	:	4,990	96,248	69,590	165,838	42	:	7.27	
Kanawha	1	:	4,699	53,824	31,808	85,632	37	:	6.77	
Lincoln	1	:	3,597	35,122	27,028	62,150	43	:	7.51	
Raleigh	2	:	4,452	87,628	63,560	151,188	42	:	7.50	
Webster	1	:	1,465	14,484	10,938	25,422	43	:	7.47	
<u>WYOMING</u>										
Natrona	1	:	597	8,149	3,523	11,672	30	:	5.90	
TOTAL	--	:	153,599	5,526,364	2,859,672	8,386,036	34	:	6.02	

^{a/} Estimated

Areas opened in December 1965 and January 1966
(Data on participation not available)

ALASKA

Nome Area 12/1/65
(Brevig Mission)
(City of Nome)
(City of Teller)

COLORADO

Huerfano County 12/1/65
Las Animas County 12/2/65
Pueblo County 12/7/65

ARKANSAS

Lonoke County 12/1/65
Prairie County 12/2/65

ILLINOIS

Madison County 12/16/65
St. Clair County 12/3/65
Saline County 12/21/65
Williamson County 12/28/65

CALIFORNIA

Contra Costa County 12/1/65
Los Angeles County 12/16/65

IOWA

Appanoose County 12/6/65
Lucas County 12/2/65
Wayne County 12/6/65

Areas opened in December 1965 and January 1966
(Data on participation not available) - Continued

TABLE III
Continued

<u>LOUISIANA</u>		<u>OHIO</u>	
Calcasieu Parish	12/1/65	Clermont County	12/1/65
Lafayette Parish	12/1/65	Franklin County	1/3/66
<u>MICHIGAN</u>		<u>SOUTH CAROLINA</u>	
Macomb County	12/1/65	Cherokee County	1/4/66
Oakland County	12/1/65	York County	12/13/65
St. Clair County	12/1/65		
<u>MINNESOTA</u>		<u>UTAH</u>	
Beltrami County	12/1/65	Cache County	12/1/65
Stearns County	1/3/66	Davis County	1/3/66
		Rich County	12/1/65
<u>MONTANA</u>		<u>WISCONSIN</u>	
Cascade County	12/1/65	Crawford County	12/6/65
		Grant County	12/1/65
<u>NEW MEXICO</u>		Lafayette County	12/1/65
Colfax County	12/1/65	Milwaukee County	1/3/66
Union County	12/1/65		
		<u>WYOMING</u>	
		Carbon County	12/1/65

Additional Areas Designated But Not Yet Open

<u>COLORADO</u>		<u>MINNESOTA</u>	
Arapahoe County		Hennepin County	
<u>HAWAII</u>		<u>NEW JERSEY</u>	
Honolulu County		Mercer County	
<u>LOUISIANA</u>		<u>NEW YORK</u>	
St. James Parish		Erie County Welfare District	
<u>MAINE</u>		<u>PENNESYLVANIA</u>	
Androscoggin County		Huntingdon County	
		Lackawanna County	
<u>MARYLAND</u>		Philadelphia County	
Anne Arundel County			
Baltimore County		<u>TENNESSEE</u>	
		Shelby County	

(f) Removal of Surplus Agricultural Commodities
(Section 32)

Appropriation Act, 1966	\$405,549,361
Transferred to:	
Department of Interior to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service," 84th Congress	-6,610,569
School Lunch Program	-45,000,000
Salaries and expenses, Foreign Agricultural Service	-3,117,000
Agricultural Research Service	-18,100,000
Cooperative State Research Service	<u>-400,000</u>
Base for 1967	332,321,792

Budget estimate, 1967:

Annual permanent appropriation	\$445,000,000
Less transfers to:	
Department of the Interior	-6,000,000
School Lunch Program	-45,000,000
Food Stamp Program	-150,000,000
Salaries and expenses, Foreign Agricultural Service	-3,117,000
Agricultural Research Service	-25,000,000
Decrease	<u>215,883,000</u> a/ <u>-116,438,792</u>

a/ In addition, an unobligated balance of \$300,000 estimated to be carried forward from 1966 will be available. Of the total of \$515,883,000 available, the 1967 estimates forecast obligations of \$215,883,000. This would result in an unobligated balance of \$300,000,000 which would carry forward into fiscal year 1968.

PROJECT STATEMENT

Project		1965	1966 (estimated)	Increases and Decreases Increased pay costs (P.L. 89-301)	Other	1967 (estimated)
1. Commodity pro-	:	:	:	:	:	:
gram payments:	:	:	:	:	:	:
a. Direct purchase:	:	:	:	:	:	:
b. Diversion	:	:	:	:	:	:
payments	--	) \$324,557,018	--	-\$115,471,018	:	\$209,086,000
c. Export payments:	447,033	)	:	:	:	:
2. Surplus removal	:	:	:	:	:	:
operating expenses:	3,268,502	:	3,837,000	+\$36,000 (a)	--	3,873,000
3. Marketing agree-	:	:	:	:	:	:
ments and orders ..	2,140,124	:	2,924,000	--	--	2,924,000
Change in unobli-	:	:	:	:	:	:
gated balance	-1,241,774	:	1,241,774	--	-1,241,774	--
Obligations financed	:	:	:	:	:	:
from funds available:	:	:	:	:	:	:
from prior year	:	:	:	:	:	:
appropriations ...	-135,467	:	-238,000	--	+238,000	--
Total increased pay:	:	:	:	:	:	:
costs (P.L. 89-301):	(--)	:	(125,000)	(+36,000)	--	(161,000)
Total	:	:	:	:	(1)	:
obligations	231,167,380	:	332,321,792	+36,000 (2)	-116,474,792	215,883,000

(1) The decrease of \$116,474,792 consists of the following:

(a) A decrease of \$115,471,018 in commodity program payments.

The budget proposes to make full use of available Section 32 funds in excess of the authorized carryover. After setting aside funds to cover proposed transfers and the expenses of administering the surplus removal and marketing agreement and order programs, the remaining funds are budgeted for commodity program payments.

The actual use of these funds will depend on commodity prices and economic conditions during the fiscal year. Late in the fiscal year a determination would be made as to the remaining foreseeable needs of perishable commodities and other Section 32 programs. Any funds remaining in excess of these needs could then be considered for use in the purchase from CCC of price-supported surplus commodities which would otherwise be distributed to eligible outlets under Section 416.

(b) A decrease of \$1,003,774. Carryover balances increased in 1966 by \$1,241,774 from \$298,758,226 at the start of 1966 to \$300 million at the end of the year. It is not anticipated that there will be any differences in carryover balances in 1967. In addition, it is estimated that \$238,000 of unobligated Section 32 funds will be returned from ARS in 1966. No returns are estimated for 1967.

(2) An increase of \$36,000 to provide for the full year costs in fiscal 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

Fund Availability and Balances

Section 32 funds are used to encourage exportation and domestic consumption of agricultural products and contribute to stable market prices either through announcements that the Department stands ready to enter the market, or by actual participation in the market. The extent to which funds actually will be obligated and expended for perishables and other surplus removal programs will depend upon the market situation which develops as peak marketing seasons approach. The type of program to be developed also will depend upon the kind and volume of the surpluses which exist at the time and the potential outlets. Generally, surpluses are removed from the market through purchases, which are then donated to schools, institutions, and needy persons.

The following table summarizes the estimated total funds available for Section 32 activities, and the estimated balance carried forward for fiscal years 1965, 1966, and 1967.

Item	1965	1966 Estimate	1967 Estimate
Appropriation or estimate	\$378,907,331	\$405,549,361	\$445,000,000
Balance available from prior years	: 300,000,000	: 298,758,226	: 300,000,000
Recovery of prior year obligations	: 49,596	: - -	: - -
Unobligated balance of 1964 Research funds returned from ARS	: 94,446	: 238,000	: - -
Transfers to:	:	:	:
School lunch program	: -45,000,000	: -45,000,000	: -45,000,000
Special milk program	: -51,500,000	: - -	: - -
Food stamp program	: -30,650,000	: - -	: -150,000,000
Agricultural Research Service ...	: -11,775,000	: -18,100,000	: -25,000,000
Cooperative State Research Service	: -400,000	: -400,000	: - -
Foreign Agricultural Service	: -3,117,000	: -3,117,000	: -3,117,000
Interior Department	: -5,297,951	: -6,610,569	: -6,000,000
Total available after authorized transfers	: 531,311,422	: 631,318,018	: 515,883,000
Obligations	: -232,544,621	: -331,318,018	: -215,883,000
Unobligated balance reverting to U.S. Treasury	: -8,575	: - -	: - -
Unobligated balance carried forward to subsequent year	: 298,758,226	: 300,000,000	: 300,000,000

STATUS OF PROGRAM

Current Activities

Under Section 32 of the Act of August 24, 1935, as amended (7 USC 612c), an amount equal to 30% of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the exportation and domestic consumption of agricultural commodities. Currently authorized activities for removing from the market surplus agricultural commodities include:

- A. Purchases for distribution through State distributing agencies to school lunch programs, needy persons and institutions eligible to receive such purchases.
- B. Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.
- C. Encouragement of domestic consumption by diversion from normal channels of trade to by-products and new uses.
- D. Reestablishment of farmers' purchasing power through payments in connection with normal production.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities. Not to exceed 25% of total funds available under the Act may be used for any one commodity or product thereof.

Section 32 funds are also used for:

- A. Surplus removal operating expenses which include administrative costs for direct removal of surpluses from the market, and distribution by the Consumer and Marketing Service of Section 32 and CCC commodities to eligible domestic outlets. These funds are also used to encourage domestic consumption of abundant foods through commercial retail outlets.
- B. The administration of marketing agreements and orders which aim to establish and maintain orderly marketing conditions for certain commodities and their products.

Selected Examples of Recent Progress and Trends:

A. Commodity Program Payments (See Table I for program operations during the last two years)

1. Direct Purchases - The record output of beef in calendar year 1964 resulted in the single largest buying program in Section 32's history. Over \$156 million dollars was obligated for frozen and canned beef during the last six months of 1964. This program - a continuation of the buying begun in March - removed the equivalent of 758,000 cattle from normal trade channels. Cow beef made up over 60% of the total as cow prices weakened in the face of very heavy marketings during the fall. Purchasing of fed beef decreased during the year as prices strengthened. All purchasing terminated on the last day of the calendar year as the coming upturn in prices got underway. Pork production was also at a record level in 1964 and lard was purchased beginning in October.

The first purchases of margarine ever made with Section 32 funds occurred in fiscal 1965. The short supply of butter in USDA's inventory brought about the initial distribution of margarine in the domestic distribution program.

Considerable aid was given to fruit growers of the Far West during the past year. Purchases of fresh plums and Bartlett pears were made along with canned olives, purple plums and dried prunes. Producers were faced with depressed markets due to record large crops or large carryover stocks from the previous year. USDA purchases tended to stabilize the market situation for these fruits. The prune purchase was the first aid extended since the 1951 export program for prunes. Another nutritious food purchased was peanut butter as supplies remained in excess of commercial needs.

Dried egg purchases were made from July through November 5, 1965 as egg prices remained depressed. The USDA did not buy eggs in the spring of 1965, however, for the first time since 1958. This was due primarily to a shifting of the geographic location of surplus from the Midwest to the South. Drying facilities are not available in the South and shell egg purchases were not thought advisable as they would only displace commercial sales.

Dry peas and beans were purchased as prices dropped to a five year low on peas, and bean prices become sluggish as the dock strike held up exports. Butter and cheese were contracted for from CCC stocks for distribution to all outlets.

TABLE I

Use made of Section 32 funds for program operations
Fiscal Years 1964 and 1965

	Fiscal Year 1964		Fiscal Year 1965	
	Pounds	Dollars	Pounds	Dollars
<u>Direct Purchases:</u>				
Apples	15,062,208:	1,068,573	- - :	- -
Beans	55,914,075:	4,744,789	10,962,192:	883,237
Beef	122,293,385:	69,915,465	279,933,981:	156,665,871
Butter	86,121,000:	52,835,234:	20,004,505:	12,292,768
Cheese	60,000,000:	23,850,000	31,707,053:	12,707,232
Cranberries	6,770,075:	1,085,564	- - :	- -
Dates	2,491,500:	409,852	xxx :	49,6781/
Eggs	10,950,987:	12,259,986	4,810,932:	5,178,235
Lard	109,929,534:	14,919,380	85,846,080:	13,865,931
Meat, chopped	104,448,444:	38,135,415	xxx :	337,9931/
Milk, Nonfat dry	48,200,000:	8,314,766	- - :	- -
Oleomargarine	- - :	- -	32,757,127:	5,104,331
Olives	3,099,727:	981,057	5,181,662:	1,418,894
Peaches	1,476,508:	92,727	- - :	- -
Peanut butter	47,775,186:	12,373,212	43,815,874:	12,585,620
Pears, fresh	- - :	- -	6,016,329:	528,542
Peas, dried	- - :	- -	17,359,515:	1,383,143
Potatoes	49,000:	12,968	- - :	- -
Plums	3,402,924:	399,306	13,164,510:	1,300,759
Prunes	- - :	- -	18,129,280:	2,380,558
Turkeys	43,620,152:	14,752,146	- - :	- -
GAO Collection	xxx :	-22,496	- - :	- -
Total	721,604,705:	256,127,944	569,689,040:	226,682,792
<u>Diversion</u>				
Potatoes	5,689,320:	1,319,465	- - :	- -
<u>Exportation</u>				
Tobacco	23,099,779:	2,047,844	4,214,000:	447,033
Total	750,393,804:	259,504,3692/	573,903,040:	227,135,9952/

1/ Transportation and disposition costs of prior year programs.

2/ Includes \$9,116 and \$6,170 in fiscal year 1964 and 1965 respectively for distribution costs of commodities donated to needy families.

2. Exportation - Payments to tobacco exporters who sold 1956 and prior year tobacco to foreign customers were completed by mid-year. A total of \$7 million was expended over the three years the program was operational.

B. Surplus Removal Operating Expenses

1. Planning surplus removal programs and distributing commodities

In addition to planning surplus removal programs under section 32, the Consumer and Marketing Service distributes surplus food commodities (section 32 and section 416-CCC) to eligible domestic outlets.

Commodities are shipped at the request of State agencies, with the Federal Government paying all costs to central State receiving points. These costs may include processing and packaging as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies approve eligible recipients according to USDA standards. For example, to participate in the program, school lunch programs must be operated on a non-profit basis, institutions and hospitals must be nonprofit and exempt from Federal income tax, and persons in family units receiving commodities must be certified as needy by a public welfare agency. State agencies are responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

- a. Needy family program - More counties and cities than ever before are donating USDA foods to needy families. During the past year over 100 counties joined the effort to provide more and better foods to hungry people. A concentrated effort is being made to bring the program to all the 386 counties in the United States listed by the Office of Economic Opportunity as being needy. OEO funds already have assisted in the opening of one county distribution program in Missouri and plans to finance additional counties are being made.

Improving economic conditions and the transfer of 50 counties to the Food Stamp Program lowered the average monthly participation from 1964's 5.5 million to 5.3 in 1965.

Peak participation of over 5.8 million was reached in February. These people were located in 1,667 counties, more than half the number in the U. S. The growth of the program is shown below:

	<u>February 1964</u>	<u>February 1965</u>	<u>Increase</u>
Cities	238	259	21
Counties	1,602	1,667	65
Indian Agencies.	23	26	3

The city of Boston began distribution for the first time in April and over 25,000 persons received commodities in June.

During June 1965, 15 different commodities were donated. Each eligible person received about \$7 worth each month (estimated retail value). The donations supply many of the basic foods enabling low-income families to use their food money to buy additional kinds of food to give variety and substance to their diets.

- b. Schools and Institutions - Over 20 million school children and an additional 1.3 million persons in eligible institutions received commodities worth \$242.7 million in fiscal 1965. This was an increase of 40% over 1964 as beef in record quantities was made available to these outlets.

A major effort to reach especially needy schools was continued during the year. With canned beef and peanut butter providing essential support some 170,000 children in about 1,200 needy schools around the nation received lunches.

Another endeavor to benefit from food donations was the "Head Start" program. In cooperation with the OEO and the States some 650,000 children received nutritious lunches enriched by donated commodities during the summer of 1965.

- c. Disaster feeding - An estimated 4.7 million pounds of donated foods were consumed by 310,000 victims of natural disasters. Rapid response to the Mississippi River floods, midwest tornadoes, California - Oregon floods, Gulf coast hurricanes and the Colorado - Kansas floods supplied food to aid the homeless and workers battling flood waters.

The quantity and cost of commodities donated to domestic outlets in fiscal years 1964 and 1965 are shown in the following tables II and III.

TABLE II

Cost in Millions of Dollars of Surplus Food
Distribution for Domestic Use - Fiscal Years 1964 and 1965

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Welfare		Total	
	1964:	1965	1964:	1965	1964:	1965	1964:	1965
Section 32:	:	:	:	:	:	:	:	:
Apples, fresh	.9:	-	.1:	-	-	-	1.0:	-
Beans	.9:	.9:	.2:	.1:	3.5:	2.0:	4.6:	3.0
Beef, canned natural juices.	<u>1/</u> :	.1:	-	-	8.8:	66.8:	8.8:	66.9
Beef, roasts & frozen ground	6.0:	96.2:	5.0:	4.3:	-	-	11.0:	100.5
Butter	-	44.9:	-	6.8:	-	16.0:	-	67.7
Cheese	-	13.9:	-	3.1:	-	20.8:	-	37.8
Cranberries	.9:	<u>1/</u> :	.2:	<u>1/</u> :	-	-	1.1:	<u>1/</u>
Date pieces	-	.5:	-	-	-	-	-	.5
Eggs, dried	6.9:	1.4:	1.6:	.3:	4.6:	12.1:	13.1:	13.
Honey	.1:	-	<u>1/</u> :	-	-	-	.1:	-
Lard	4.1:	4.9:	1.2:	1.4:	8.3:	9.0:	13.6:	15.3
Margarine	-	-	-	.8:	-	2.8:	-	3.6
Meat, chopped	<u>1/</u> :	<u>1/</u> :	-	-	39.3:	17.9:	39.3:	17.9
Milk, nonfat dry	.2:	1.4:	<u>1/</u> :	.8:	.1:	6.2:	.3:	8.4
Olives	.8:	1.4:	-	-	-	-	.8:	1.4
Peaches	<u>1/</u> :	-	.1:	-	-	-	.1:	-
Peanut butter	2.8:	4.1:	-	-	8.6:	8.3:	11.4:	12.4
Pears	-	.6:	-	-	-	-	-	.6
Peas	-	.1:	-	.1:	-	.6:	-	.8
Plums	<u>1/</u> :	.8:	.4:	.5:	-	-	.4:	1.3
Pork	5.4:	<u>1/</u> :	-	-	-	-	5.4:	<u>1/</u>
Potatoes, sweet	-	-	<u>1/</u> :	-	-	-	<u>1/</u> :	-
Potatoes, white	-	-	<u>1/</u> :	-	-	-	<u>1/</u> :	-
Prunes	-	2.0:	-	-	-	-	-	2.0
Turkeys	14.7:	-	-	-	-	-	14.7:	-
Total, Section 32	43.7:	173.2:	8.8:	18.2:	73.2:	162.5:	125.7:	353.9
Section 416:	:	:	:	:	:	:	:	:
Beans	1.1:	1.3:	.2:	.2:	4.0:	3.1:	5.3:	4.6
Bulgur	.1:	.1:	.1:	.1:	<u>1/</u> :	.1:	.2:	.3
Butter	56.3:	15.6:	16.0:	2.4:	35.1:	5.6:	107.4:	23.6
Cheese	18.2:	6.3:	4.6:	1.4:	29.5:	9.4:	52.3:	17.1
Cornmeal	.7:	.7:	.2:	.3:	4.8:	4.8:	5.7:	5.8
Flour	7.9:	9.3:	4.1:	4.3:	14.7:	14.7:	26.7:	28.3
Grits, corn	<u>1/</u> :	<u>1/</u> :	.1:	<u>1/</u> :	.1:	.3:	.2:	.3
Milk, nonfat dry	4.5:	3.5:	2.2:	1.7:	22.2:	14.5:	28.9:	19.7
Rice	2.5:	2.4:	.9:	.9:	10.0:	9.1:	13.4:	12.4
Shortening	.2:	-	<u>1/</u> :	-	.1:	-	.3:	-
Wheat, rolled	.5:	.5:	.3:	.3:	3.4:	2.8:	4.2:	3.6
Total, Section 416	92.0:	39.7:	28.7:	11.6:	123.9:	64.4:	244.6:	115.7
GRAND TOTAL	135.7:	212.9:	37.5:	29.8:	197.1:	226.9:	370.3:	469.6

It is estimated that commodities approximating \$389.9 million may be donated in 1966.
1/ Less than \$50,000.

Quantity in Millions of Pounds of Surplus Food Distribution for Domestic Use
Fiscal Years 1964 and 1965

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Welfare		Total	
	1964	1965	1964	1965	1964	1965	1964	1965
Section 32:	:	:	:	:	:	:	:	:
Apples, fresh	13.2:	-	1.9:	-	-	-	15.1:	-
Beans	11.2:	11.0:	2.4:	1.8:	41.6:	25.5:	55.2:	38.3
Beef, canned natural juices ..	<u>1/</u> :	.4:	-	-	15.6:	130.6:	15.6:	131.0
Beef, roasts & frozen ground ..	10.6:	151.8:	8.7:	6.8:	-	-	19.3:	158.6
Butter	-	73.7:	-	11.1	-	26.4:	-	111.2
Cheese	-	35.1:	-	8.0:	-	52.5:	-	95.6
Cranberries	5.6:	<u>1/</u> :	1.1:	<u>1/</u> :	-	-	6.7:	<u>1/</u> :
Date pieces	-	2.5:	-	-	-	-	-	2.5
Eggs, dried	6.5:	1.3:	1.5:	.3:	4.4:	11.3:	12.4:	12.9
Honey	.5:	-	.2:	-	-	-	.7:	-
.....	29.7:	31.3:	9.0:	8.9:	59.9:	57.9:	98.6:	98.1
Margarine	-	-	-	5.0:	-	17.6:	-	22.6
Meat, chopped canned	.1:	.1:	-	-	107.0:	48.8:	107.1:	48.9
Milk, nonfat dry	.8:	9.0:	.2:	4.4:	.3:	38.2:	1.3:	51.6
Olives	2.3:	4.0:	-	-	-	-	2.3:	4.0
Peaches	<u>1/</u> :	-	1.1:	-	-	-	1.1:	-
Peanut butter	9.9:	14.3:	-	-	30.1:	28.9:	40.0:	43.2
Pears	-	5.9:	-	-	-	-	-	5.9
Peas	-	1.5:	-	1.1:	-	7.4:	-	10.0
Plums	.1:	8.5:	3.3:	4.9:	-	-	3.4:	13.4
Pork	10.8:	<u>1/</u> :	-	-	-	-	10.8:	<u>1/</u> :
Potatoes, sweet	-	-	.1:	-	-	-	.1:	-
Potatoes, white	-	-	.5:	-	-	-	.5:	-
Prunes	-	15.1:	-	-	-	-	-	15.1
Turkeys	43.5:	-	-	-	-	-	43.5:	-
Total, Section 32	144.8:	365.5:	30.0:	52.3:	258.9:	445.1:	433.7:	862.9
Section 416:	:	:	:	:	:	:	:	:
Beans	12.9:	16.4:	2.7:	2.7:	47.7:	38.3:	63.3:	57.4
Bulgur	1.7:	1.7:	.7:	1.1:	1.0:	1.7:	3.4:	4.5
Butter	94.8:	25.6:	27.0:	3.9:	59.0:	9.2:	180.8:	38.7
Cheese	47.6:	15.9:	12.0:	3.6:	77.1:	23.7:	136.7:	43.2
Cornmeal	18.7:	18.4:	6.5:	6.9:	132.4:	128.5:	157.6:	153.8
Flour	146.0:	163.2:	75.1:	75.8:	270.6:	255.4:	491.7:	494.4
Grits, corn	.4:	.5:	.7:	1.1:	4.0:	9.2:	5.1:	10.8
Milk, nonfat dry	27.8:	21.1:	13.2:	10.2:	135.9:	89.2:	176.9:	120.5
Rice	24.9:	25.6:	8.9:	9.7:	101.6:	95.0:	135.4:	130.3
Shortening	.8:	-	.2:	-	.3:	-	1.3:	-
Wheat, rolled	7.7:	7.6:	4.9:	5.0:	51.9:	45.2:	64.5:	57.8
Total, Section 416	383.3:	296.0:	151.9:	120.0:	881.5:	695.4:	1,416.7:	1,111.4
GRAND TOTAL	528.1:	661.5:	181.9:	172.3:	1,140.4:	1,140.5:	1,850.4:	1,974.3

NOTE: It is estimated that approximately 1,790.2 million pounds may be distributed during the 1966 fiscal year.

1/ Less than 50,000 pounds.

2. Food Trades Program. Under this program the consumption of plentiful foods is encouraged by focusing consumer attention on agricultural commodities in abundant supply. This is done by enlisting the cooperation of all segments of the Nation's food industry in the promotion and merchandising of these foods and by supporting industry food promotion and merchandising campaigns. The workload under this activity is shown in the following table:

	F. Y. 1965	F. Y. 1966
	Number	Number (Est.)
Average number of foods listed on monthly abundant foods list	6	8
Distribution on monthly plentiful foods list.	63,000	67,000
Area, State and local food drives conducted .	21	30
National food drives conducted	8	13

Nationwide food drives were conducted during 1965 on beef, apples, red tart cherries, prunes, eggs, August Sandwich Month, and June Dairy Month. The August Sandwich Month and June Dairy Month were fully supported. Major food drives are planned in 1966 on apples, eggs, broiler-fryers, pecans, honey, tart cherries, prunes, cranberries, peaches, turkeys and frozen orange juice. The annual June Dairy month and August Sandwich month will also be supported.

The beef promotion was a continuation of the all-out Industry-Government effort begun in fiscal year 1964, which resulted in continued strong advertising by food stores, increased sales over a year earlier, and definite price improvement. The prune promotion, conducted in cooperation with producer and processor groups, encouraged acceptance by children participating in the National School Lunch Program and urged greater use of prunes by the food service industry and individual consumers. A two-phase Industry-Government egg promotion was carried on to combat declining egg prices -- with one program having its impact in January and February 1965, and the other designed to continue emphasis from March through May, 1965.

Special efforts were made during the year to enlist the full cooperation of State Commissioners of Agriculture and other State marketing officials. Cooperative efforts with many of these groups were enhanced as a result of the successful Nation-wide promotion of beef. Trade contacts made during that intensive drive have had a beneficial effect in connection with subsequent plentiful foods merchandising efforts, both national and regional.

C. Marketing Agreements and Orders

The operation of these programs has become increasingly complicated by technological advances, changing marketing structures and important decisions made in the courts. The impact of change on existing programs must be given more extensive and intensive study and analysis to determine the nature and direction of the adjustments that must be made in these programs,

1. Milk

Nearly 54.6 billion pounds of milk valued at \$2.4 billion (minimum price basis) was delivered to consumers in 75 federal market areas. The 75 areas covered most of the major metropolitan areas of the country which contain about two-thirds of the non-farm population of the country.

These orders establish minimum prices which handlers must pay to milk producers and thereby determine, to a degree, the supply and price of milk.

Rapid developments in the milk industry demanded continuing adjustments in the order program. Changes included:

- a. Emergency hearings in the south central region to grant temporary price increases as drought conditions reduced milk supplies.
- b. Mergers of four New England markets into one; combination of two Michigan orders and two Ohio orders.
- c. Expansion of thirteen marketing areas, encompassing an additional two million people.
- d. Obtaining more uniformity in order provisions.
- e. Inquiries on five new orders.

2. Fruits and Vegetables

These orders are established to regulate the quantity and quality of produce sold in commercial channels thereby stabilizing production and marketing of perishable commodities. The present orders govern the marketing of a very large percentage of the fruits, nuts and vegetables sold in this country. (See Table 2.)

Considerable interest and activity occurred in regard to new orders and agreements during the year. Six public hearings were held on proposed orders for six commodities. A referendum was held on tart cherries but did not acquire the necessary votes for approval. A

marketing agreement on peanuts was signed by handlers representing over 85% of the peanut volume and will be effective in time to regulate the 1965 peanut crop. Action was completed with favorable producer referenda results and new orders were established for California olives, Northwest Bartlett pears and Florida interior grapefruit early in fiscal 1966. Sharp increases in the production of citrus and tree nut crops promises strong marketing pressure in the coming year.

Research and development projects for fruit, vegetable, and speciality crop commodities are expected to continue to increase as the industries continue to seek new or expanded outlets for their commodities. The Agricultural Marketing Act of 1937 has been amended to permit paid advertising and trade promotion and a number of industries are expected to be interested in having these activities authorized under their marketing agreement and order programs or to propose new programs.

The area, volume and value of commodities covered by agreements and orders and resulting workload is reflected in the following tables:

I. Activities under the Milk, Fruit, Vegetable and Tree Nut Agreement and Order Programs During Fiscal Year 1965 and Estimated for 1966:

Activity	Fluid Milk Orders		Fruit, Vegetable & Tree Nut Orders	
	1965	1966	1965	1966
	:	:	:	:
<u>Agreement and order programs in effect</u>	75	75	43	48
Requests received for new programs	2	5	7	5
<u>Hearings and Petitions</u>	:	:	:	:
Hearings held to consider amendments to existing order or the issuance of orders in new areas	42	40	11	9
Amendments issued	45	40	4	7
Suspensions issued	32	25	--	--
Petitions received for review of order	10	25	5	1
Petitions disposed of during the year	10	15	5	1
Administrator's Decisions issued	32	40	6	13
Secretary's Decisions issued	43	40	4	13
Secretary's Referendum Orders issued	18	20	8	16
<u>Order operation and enforcement</u>	:	:	:	:
Regulatory orders issued	1	--	324	333
Investigation of alleged violations	80	80	230	237
Cases referred to the Department of Justice for prosecution	50	50	22	25
Court cases resolved	18	25	37	40
<u>Order management</u>	:	:	:	:
Appointment of administrative committees ...	--	--	31	51
Promulgation of committee rule making	--	--	15	22
Budgets approved	80	74	39	45
	:	:	:	:

II. Marketing Agreement and Order Programs in Effect for Fluid Milk during Fiscal Year 1965

Orders	:Number of: :Producers:	:Number of: :Handlers:	Production (1,000 lb.)	:Population of :Marketing Area ^{1/}
<u>NEW ENGLAND</u>	:	:	:	:
Connecticut	2,292 :	82 :	1,113,133 :	2,535,234
Massachusetts-Rhode Island ...	10,304 :	165 :	3,314,117 :	5,454,174
	:	:	:	:
<u>MIDDLE ATLANTIC</u>	:	:	:	:
New York-New Jersey	40,920 :	281 :	11,792,921 :	18,490,830
Delaware Valley	5,678 :	66 :	1,933,455 :	4,652,298
	:	:	:	:
<u>SOUTH ATLANTIC</u>	:	:	:	:
Appalachian	819 :	10 :	272,452 :	560,392
Clarksburg	315 :	6 :	77,832 :	237,276
Southeastern Florida	86 :	13 :	519,958 :	1,545,020
Tri-State	1,722 :	27 :	413,508 :	1,428,111
Upper Chesapeake Bay	2,344 :	26 :	826,900 :	2,093,277
Washington, D. C.	1,931 :	17 :	989,118 :	2,165,342
Wheeling	785 :	16 :	171,778 :	440,157
	:	:	:	:
<u>EAST NORTH CENTRAL</u>	:	:	:	:
<u>Eastern Group</u>	:	:	:	:
Cincinnati	3,189 :	33 :	680,083 :	1,472,042
Columbus	1,667 :	24 :	543,341 :	1,130,073
Dayton-Springfield	1,345 :	12 :	429,134 :	607,005
Muskegon	382 :	13 :	124,730 :	236,344
Northwestern Ohio	1,714 :	26 :	611,607 :	1,174,039
Northeastern Ohio	6,055 :	52 :	1,719,630 :	2,935,914
Southern Michigan	12,413 :	111 :	3,865,780 :	6,377,067
Upstate Michigan	226 :	9 :	65,683 :	171,687
Youngstown-Warren	780 :	10 :	221,387 :	515,592
	:	:	:	:
<u>Western Group</u>	:	:	:	:
Chicago	15,712 :	58 :	5,895,780 :	6,442,647
Fort Wayne	876 :	15 :	266,763 :	493,793
Indianapolis	3,565 :	31 :	1,035,373 :	2,122,583
Louisville-Lexington-	:	:	:	:
Evansville	3,193 :	37 :	871,637 :	1,966,611
Madison	605 :	18 :	243,857 :	583,919
Michigan Upper Peninsula	530 :	25 :	125,040 :	335,216
Milwaukee	2,268 :	29 :	900,109 :	1,699,841
Northeastern Wisconsin	1,308 :	61 :	478,299 :	917,910
Rock River Valley	316 :	13 :	128,407 :	596,674
Northwestern Indiana	726 :	22 :	245,246 :	440,515
Suburban St. Louis	1,478 :	20 :	321,513 :	753,304

(Continued on next page)

Orders	:Number of:	Number of:	Production	:Population of
	:Producers:	Handlers:	(1,000 lb.)	:Marketing Area ¹
<u>WEST NORTH CENTRAL</u>	:	:	:	:
<u>Northern Group</u>	:	:	:	:
Black Hills	: 113	: 6	: 51,133	: 102,901
Cedar Rapids-Iowa City	: 723	: 6	: 249,915	: 125,478
Des Moines	: 934	: 18	: 314,363	: 657,742
Duluth-Superior	: 846	: 5	: 168,341	: 209,109
Eastern South Dakota	: 451	: 22	: 176,485	: 98,230
Minneapolis-St. Paul	: 3,179	: 25	: 1,119,075	: 1,342,278
Nebraska-Western Iowa	: 1,508	: 29	: 537,505	: 1,331,171
North Central Iowa	: 792	: 25	: 292,571	: 528,297
Quad Cities-Dubuque	: 674	: 21	: 254,528	: 461,842
Sioux City	: 163	: 3	: 73,044	: 105,667
<u>Southern Group</u>	:	:	:	:
Kansas City	: 1,918	: 30	: 695,243	: 1,537,810
Neosho Valley	: 414	: 8	: 127,320	: 342,679
Ozarks	: 1,069	: 10	: 270,075	: 427,766
St. Joseph	: 398	: 6	: 149,701	: 228,710
St. Louis	: 2,737	: 29	: 868,798	: 1,661,321
Southwest Kansas	: 168	: 7	: 69,041	: 119,523
Wichita	: 821	: 12	: 291,089	: 485,811
<u>EAST SOUTH CENTRAL</u>	:	:	:	:
Chattanooga	: 674	: 8	: 217,100	: 309,891
Knoxville	: 724	: 11	: 219,815	: 294,390
Memphis	: 973	: 11	: 292,636	: 953,345
Mississippi Delta	: 662	: 28	: 216,938	: 610,072
Nashville	: 1,306	: 18	: 403,366	: 823,267
Paducah	: 413	: 10	: 108,760	: 224,370
<u>WEST SOUTH CENTRAL</u>	:	:	:	:
<u>Northern Group</u>	:	:	:	:
Central Arkansas	: 737	: 14	: 212,211	: 807,134
Fort Smith	: 142	: 2	: 47,740	: 59,778
Lubbock-Plainview	: 116	: 5	: 80,661	: 350,601
Oklahoma Metropolitan	: 1,758	: 17	: 613,482	: 1,060,488
Red River Valley	: 528	: 10	: 188,259	: 434,814
Texas Panhandle	: 403	: 8	: 186,675	: 352,389

(Continued on next page)

Orders	:Number of: :Producers:	Number of: Handlers :	Production (1,000 lb.) :	Population of Marketing Area ^{1/}
<u>Southern Group</u>	:	:	:	:
Austin-Waco	: 254:	5:	148,434:	658,217
Central West Texas	: 344:	7:	181,457:	466,240
Corpus Christi	: 328:	12:	185,296:	693,049
New Orleans	: 1,687:	27:	457,059:	1,028,396
North Texas	: 2,037:	22:	1,057,943:	1,933,075
Northern Louisiana	: 435:	10:	204,722:	556,346
San Antonio	: 406:	11:	274,739:	687,151
	:	:	:	:
<u>MOUNTAIN</u>	:	:	:	:
Central Arizona	: 251:	14:	505,736:	1,113,836
Colorado Springs-Pueblo	: 165:	5:	65,025:	350,224
Eastern Colorado	: 1,459:	33:	597,457:	1,141,564
Great Basin	: 1,109:	17:	426,670:	836,029
Rio Grande Valley	: 401:	22:	324,094:	1,273,363
Western Colorado	: 100:	6:	44,414:	96,620
	:	:	:	:
<u>PACIFIC</u>	:	:	:	:
Inland Empire	: 553:	9:	182,521:	428,596
Puget Sound	: 2,630:	32:	1,260,164:	1,672,344
TOTAL	: 163,047:	1,964:	54,610,172:	99,556,811

^{1/} Based on 1960 U. S. Census for geographic areas covered by orders on January 1, 1964.

3. Marketing Agreements and Orders Developmental Work

Current Activities: Costs connected with the development and formulation of self-help stabilization and other price assistance programs involve the expenses of industry advisory committees established to advise the Secretary, public hearings, referenda to determine producer sentiment, and related expenses. When the pre-program and developmental costs, including consultation with advisory committees or groups, as authorized by the Agricultural Act of 1961, involves supply and marketing problems and programs for perishable commodities for which assistance is generally provided through Section 32, or when the plan involves proposals for new or major revision of marketing agreements or orders, Section 32 funds are used. These expenses in fiscal year 1965 amounted to \$6,330. Costs of the Department for supervising the adopted marketing agreement and order programs are also financed from Section 32 funds authorized by 7 USC 1392b.

The milk and dairy products advisory committee met in November, 1964 for two days and made several recommendations aimed at strengthening USDA's dairy programs.

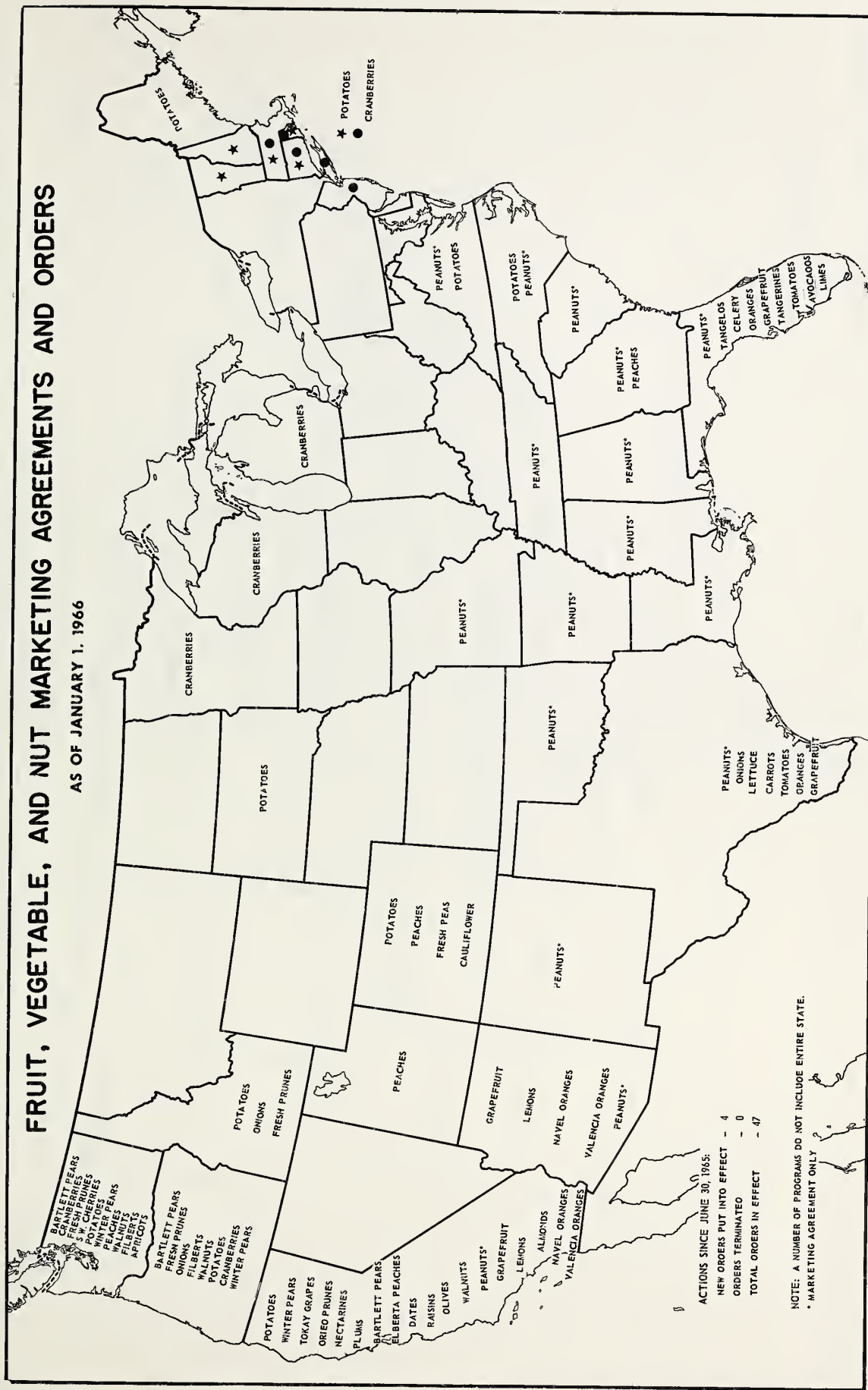
III. Fruit, Vegetable and Tree Nut Marketing Agreement and Order
Programs in Effect during Fiscal Year 1965

Orders in Effect	: Estimated : Number of : Commercial : Producers	: Estimated : Farm Values : (\$1,000)
<u>CITRUS FRUITS:</u>		
California-Arizona Navel and Miscellaneous oranges	4,200	\$60,288
California-Arizona Valencia oranges	5,100	68,078
California-Arizona Desert grapefruit	2,000	8,134
California-Arizona lemons	4,000	51,427
Florida oranges	)	279,288
Florida grapefruit (incl. Indian River) ..	15,000)	64,554
Florida tangelos	)	4,460
Florida tangerines	)	13,962
Florida Indian River grapefruit	1,600	1/
Florida limes	500	2,374
Texas oranges	)	2,664
Texas grapefruit	4,000)	4,368
<u>DRIED FRUIT:</u>		
California dates	235	3,488
California prunes	4,300	40,565
California raisins	5,000	51,408
<u>NONCITRUS FRUITS:</u>		
California Bartlett pears	3,450	37,162
California Elberta peaches	2,500	12,650
California nectarines	1,250	7,088
California plums	2,270	16,539
California Tokay grapes	1,200	7,042
Colorado peaches	800	1,906
Florida avocados	600	2,293
Georgia peaches	350	9,162
Idaho-Oregon prunes	250	896
Utah peaches	1,000	667
Washington apricots	1,000	1,102
Washington sweet cherries	1,000	7,790
Washington peaches	1,500	3,378
Washington-Oregon-California winter pears .	1,800	12,256
Washington-Oregon prunes	1,000	2,322
Mass., R.I., Conn., N.J., Wisc., Mich., Minn., Ore., Wash., Long Island, New York, cranberries	1,300	17,673

Orders in Effect	Estimated Number of Commercial Producers	Estimated Farm Values (\$1,000)
POTATOES:		
Idaho-Eastern Oregon	5,600	125,244
Washington	850	28,205
Oregon-Northern California	1,003	34,913
Colorado	1,450	32,914
Maine	2,500	153,519
New England (except Maine)	1,310	16,600
Eastern South Dakota	285	1,040
Southeastern States (Va.-N. Car.) ...	3,950	15,415
TREE NUTS:		
California almonds	8,000	48,384
Washington-Oregon filberts	4,500	3,534
California-Washington-Oregon walnuts.	10,000	40,724
VEGETABLES:		
Idaho-Eastern Oregon onions	300	6,366
South Texas onions	600	9,265
Texas, Lower Valley, tomatoes	1,200	1,934
Florida tomatoes	1,350	66,368
Texas, Lower Valley, carrots	600	14,914
Texas, Lower Valley, lettuce	146	4,675
Colorado peas (fresh)	74)	260
Colorado cauliflower	)	448
GRAND TOTAL	xxx	1,399,706

1/ Included under Florida grapefruit above.

AS OF JANUARY 1, 1966



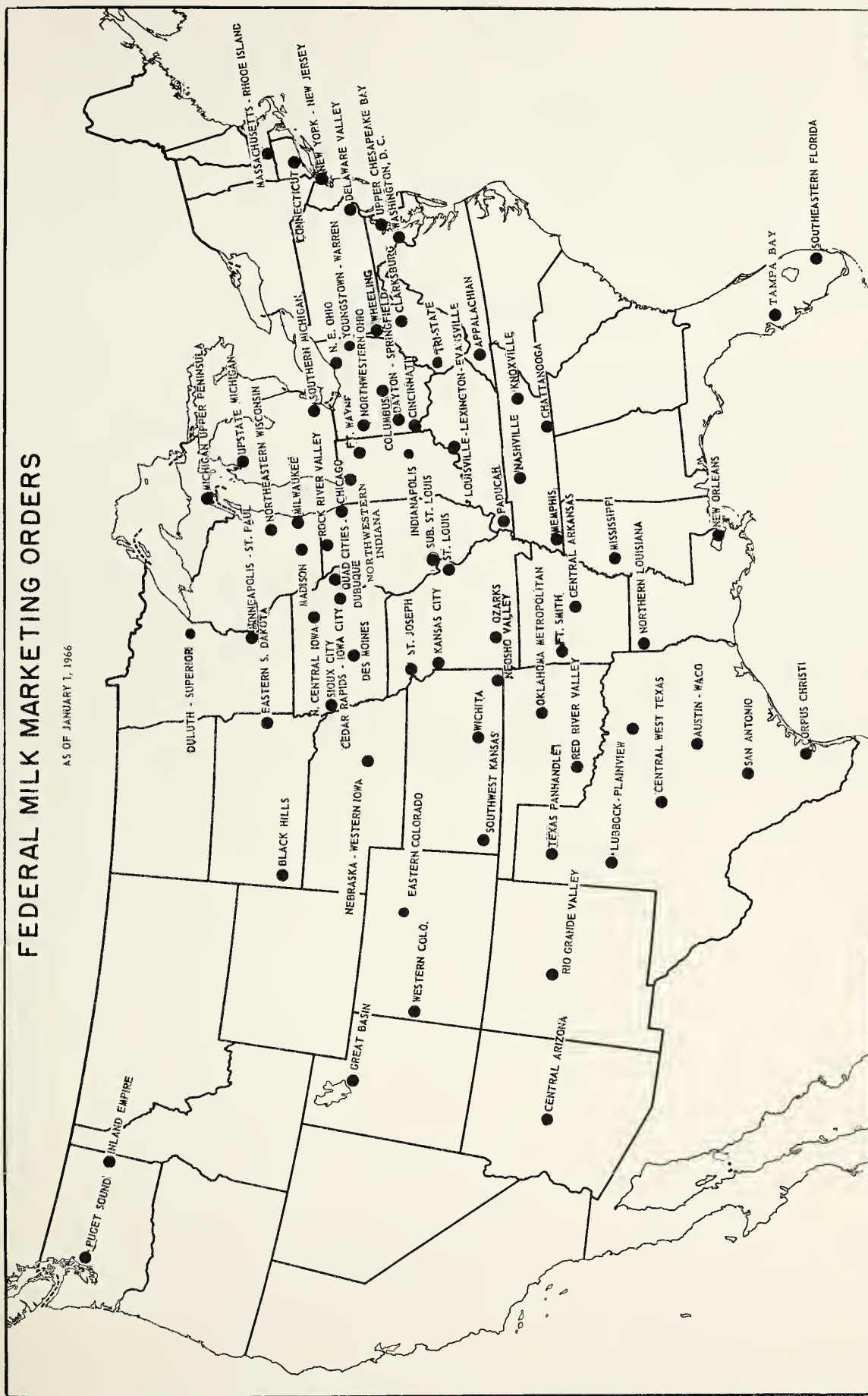
* MARKETING AGREEMENT ONLY ? **do**

U.S. DEPARTMENT OF AGRICULTURE

CONSUMER AND MARKETING SERVICE

AS OF JANUARY 7, 1966

AS OF JANUARY 7, 1966



(g) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1966 and base for 1967 (from receipts)	\$927,000
Budget Estimate, 1967 (from receipts)	<u>927,000</u>

PROJECT STATEMENT
(on basis of available funds)

Project	1965	1966 Estimate	Increases and Decreases:			1967 Estimate
			Increased	Pay Costs	Other	
			(P.L. 89-301)			
Licensing dealers and handling complaints ...	\$853,015	\$942,000	+\$6,800	- -		\$948,800
Unobligated balance brought forward	-169,271	-226,956	- -	+\$15,000		-211,956
Unobligated balance carried forward	226,956	211,956	-6,800	-15,000		190,156
Total increased pay costs (P.L. 89-301)	- -	(22,000)	(6,800)	- -		(28,800)
Total available or estimate	910,700	927,000	- -	- -		927,000

STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. These laws are designed to (1) protect shippers, producers, distributors, and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers, and brokers engaged in the business of handling fresh and frozen fruits and vegetables in interstate and foreign commerce must be licensed under the Perishable Agricultural Commodities Act. In addition, certain retailers are subject to the Act and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principal for commodities sent for sale in the market. Buyers and sellers must live up to the terms of their contracts and buyers must pay promptly for their purchases. False or misleading statements, misbranding, etc., are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes. When there is an apparent violation of the Act, the Department will promptly communicate with the respondent party; make necessary investigation; and endeavor to bring about an amicable informal settlement. Where informal settlement of disputes cannot be arranged, the opportunity to file and pursue formal complaints under the law is given to the complainant. In all proceedings each party has an opportunity to present his side fully.

The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department seeking to suspend or revoke the offender's license. The majority of cases involve questions of quality, condition, and failure to pay. Evidence consists principally of confirmations of sale, inspection certificates and other pertinent documents furnished by complainants and respondents.

Most settlements of disputes are made on the basis of precedent established by experience gained from handling previous disputes, and from a knowledge of marketing principles and practices and application of the provisions of the law. When formal decisions are handed down by the Secretary they are published and made available to the produce industry. These decisions are used by the industry as a basis for avoiding future disputes and for settling disputes without the necessity of filing a complaint with the Department. Cases referred to the Department are, in general, those which are most difficult and which the parties are unable

to settle themselves. Activities under these Acts include licensing, collecting fees, investigating and handling complaints and working with growers, shippers, and receivers to correct and prevent misbranding of produce, thereby reducing the number of potential complaints.

Licensing Activities: The general economic trend of recent years in the fresh fruit and vegetable industry is continuing. The trend is characterized by financial difficulties, mergers, and consolidations. Growers and shippers have been faced with a shrinking number of buyers. This has resulted in a reduction in the number of licensees under the Act. The economic situation does not encourage new firms, and a number of old firms went out of business as a result of strong competition from the larger and better financed firms.

Licensing Activities
1963-1967

Activity	Fiscal Year				
	: 1963	: 1964	: 1965	: 1966 Est.	: 1967 Est.
Licenses renewed	:19,132	:18,276	:18,183	: 17,942	: 17,842
New licenses issued	: 3,926	: 3,911	: 3,559	: 3,500	: 3,350
Licenses terminated	: 5,529	: 4,782	: 4,004	: 3,800	: 3,600
Total actions	:28,587	:26,969	:25,746	: 25,242	: 24,792
In effect June 30	:23,058	:22,187	:21,742	: 21,442	: 21,192

Financing:

License Fees: Annual license fees, together with arrearage fees, are deposited into a special fund. All C&MS expenses for administration of the Perishable Agricultural Commodities and Produce Agency Acts are paid from this fund. The enactment of Public Law 87-725 on October 1, 1962 authorized an increase in the annual PACA license fee from \$25 to a maximum of \$50 and increased the number of retailers and frozen food brokers exempt from the licensing requirement. Effective January 1, 1963 the Department increased the annual license fee to \$36. However, because of the decline in the number of licenses in effect, the revenue was not sufficient to meet administrative expenses. Therefore, the license fee was increased to \$42.00 on January 1, 1965.

Summary of Progress:

1. Perishable Agricultural Commodities Act

- (a) During the 1965 fiscal year, the volume of activity connected with informal reparation complaints was notably greater than in the previous year. More significant, however, was the fact

that the total amount of money involved in the amicable settlements for the past year was more than twice as great as in any previous period during the past 10 years.

There was no significant increase in the number of formal reparation cases handled during fiscal 1965. However, the total amount of money involved in these reparation awards was nearly 50 percent greater than in the previous year.

- (b) Default reparation orders. Under a new procedure, the handling of default cases has been expedited thus permitting the attorneys more time to concentrate on other types of cases.
- (c) Review panel for reparation cases. A new procedure was adopted this year in order to speed up the issuance of reparation orders in cases where hearings have been held, or that are being handled under shortened procedure (without hearings). The evidence submitted by the parties is reviewed informally and agreement reached on what the decision should be in the case under discussion. Subsequently, the formal order can be prepared with a minimum of changes and corrections. This procedure has resulted in faster handling of formal reparation cases.
- (d) PACA-Industry Conference Group Meeting. The eighth meeting of the PACA-Industry Conference Group with representatives of the Department was held on February 13, 1965, to discuss the administration of the Act and industry problems involving the marketing and distribution of fresh and frozen fruits and vegetables. The major areas of discussion involved disciplinary actions in connection with bankruptcy cases, terminal market buying brokers' records, licensing and bonding problems and the financial status of the PACA fund.

Bankruptcies have become an increasingly serious problem in the industry in recent years. Both the number and amount of the debts involved in these business failures have increased substantially, some of them exceeding one-half million dollars. It was the consensus of the Group that the USDA should be more aggressive in thoroughly examining all evidence available in connection with bankruptcies and to institute disciplinary action when it is found that the firms have committed repeated and flagrant violations of the Act. The Department agreed with this recommendation and, at the suggestion of the Group, a press release on this subject was issued to all trade publications on March 8, 1965. The conference group has proved to be an effective means for the exchange of views and information between industry representatives and officials of the Department on the problems of the fruit and vegetable industry and the administration of the Act.

(e) Complaints and Reparation Awards in the Past Three Years and Estimates for 1966 and 1967:

Item	F i s c a l Y e a r					
	1963	1964	1965	1966 Est.	1967 Est.	
Complaints to be handled:	:	:	:	:	:	:
On hand July 1	484:	536:	546:	565 :	565	
Received or reopened	2,290:	2,194:	2,332:	2,313 :	2,313	
Total	2,774:	2,730:	2,878:	2,878 :	2,878	
Settlements of complaints:	:	:	:	:	:	:
Formal decisions	348:	359:	363:	363 :	363	
Informal amicable settle-	:	:	:	:	:	:
ments	920:	888:	956:	956 :	956	
Otherwise closed	970:	937:	994:	994 :	994	
Pending-June 30	536:	546:	565:	565 :	565	
Reparations:	:	:	:	:	:	:
Awarded-formal orders	\$515,926:	\$487,090:	\$709,540:	\$700,000 :	\$700,000	
Payments- amicable settle-	:	:	:	:	:	:
ments	1,229,530:	1,211,823:	2,635,751:	2,700,000 :	2,700,000	
Total	1,745,456:	1,698,913:	3,345,291:	3,400,000 :	3,400,000	

In addition to actual complaints filed, thousands of inquiries from receivers, brokers, shippers, and other sources seeking counsel and advice were handled. Suggestions and recommendations in these cases have resulted in the settlement of numerous disputes and eliminated the necessity of filing complaints with the Department.

(f) Reparation and Disciplinary Complaint Workload 1963 through 1965.

I t e m	: F i s c a l Y e a r		
	: 1963	: 1964	: 1965
Total Reparations and Disciplinary Complaints:	:	:	:
Cases pending at end of year in:	:	:	:
Consumer and Marketing Service	: 414	: 391	: 449
Office of General Counsel	: 117	: 155	: 116
Courts	: 5	: --	: --
Cases carried into following Fiscal Year	: 536	: 546	: 565
Informal Complaints:	:	:	:
Cases pending at start of year	: 317	: 350	: 342
New complaints filed	: 1,806	: 1,739	: 1,806
Cases reopened	: 58	: 45	: 44
Total cases handled	: 2,181	: 2,134	: 2,192
Closed by amicable settlements	: 920	: 888	: 956
Otherwise closed	: 595	: 534	: 554
Total cases closed	: 1,515	: 1,422	: 1,510
Personal investigations	: 618	: 459	: 576
Formal Reparation Complaints:	:	:	:
Formal complaints referred to Office of	:	:	:
General Counsel	: 316	: 377	: 313
Formal orders issued:	:	:	:
Awards of reparations	: 272	: 288	: 291
Miscellaneous orders	: 33	: 42	: 41
Cases dismissed by the Secretary	: 72	: 56	: 59
Total orders issued	: 377	: 386	: 391
Complaints pending at end of year in Office of	:	:	:
General Counsel	: 110	: 148	: 113
Licenses suspended because of failure to pay	:	:	:
reparation awards	: 65	: 64	: 51
Licenses expiring before awards were made	: 38	: 46	: 59
Appeals to U. S. District Court	: 6	: 5	: 9
Informal Disciplinary Complaints:	:	:	:
New complaints filed:	:	:	:
Misbranding	: 337	: 307	: 384
Other violations (failure to pay promptly,	:	:	:
maintain adequate records, etc.)	: 89	: 102	: 95
Total complaints filed	: 426	: 409	: 479
Formal Disciplinary Complaints:	:	:	:
Penalties imposed by Secretary:	:	:	:
Licenses revoked	: 5	: 8	: 5
Licenses suspended	: 5	: 4	: 7
Licenses denied	: --	: 1	: 1
Total	: 10	: 13	: 13
Cases disposed of by court action	: 5	: 6	: 4
Cases pending at end of year:	:	:	:
In Office of General Counsel	: 7	: 7	: 3
In courts	: 5	: --	: 1

(f) continued

Item	Fiscal Year		
	1963	1964	1965
Misbranding Activities:			
Firms visited	514	883	698
Lots of produce examined at point of origin ...	2,400	3,074	2,435
Lots spot checked at destination points	552	886	857
Certificates issued covering misbranded lots ..	45	73	40

(g) During 1965, decisions were rendered on several disciplinary complaints involving cases of misbranding, and failure to maintain adequate records. One case on which a decision was rendered involved an Eastern commission merchant firm which was found to have underpaid 17 shippers on 35 joint account and consignment shipments. Underpayments ranging from \$10 to \$800 were discovered, totaling more than \$5,600. The firm paid one shipper the amount found due but refused to pay other shippers. Following hearings on the case, the Department on May 14, 1965, suspended the license of this firm for 90 days. The firm has filed an appeal in the U. S. Court of Appeals where the matter is now pending.

(h) Two misbranding cases were handled this year involving potato shippers. In the first case the shipper had misrepresented the grade and quality of 14 lots of potatoes. As each violation was discovered the shipper was advised that similar violations should be avoided, but the shipper failed to heed these warnings. Since his license had expired prior to the date of the order, and could not be revoked, he will not be eligible for a new license for two years. Furthermore, he cannot be employed by another licensee under this Act for a minimum period of one year, and thereafter, only if the employing licensee posts a surety bond with the Department.

In the second case, the shipper misrepresented the grade and quality of 13 lots of potatoes. The firm was advised of each violation and warned to avoid violations in the future, but continued to ship misbranded potatoes. The firm contended that the shipments in question were packed by different growers under their brand, and that these growers were primarily responsible for the misbranding. The Department held that this did not relieve the firm of the responsibility for shipping misbranded produce in interstate commerce. After considering the matter, the shipper consented to a suspension of its license for a period of 15 days effective July 20, 1964.

The publication in the trade papers of the facts in these two cases impressed other growers and shippers in this area with the serious nature of misbranding violations. There was an increase in requests for shipping point inspection in the area, indicating that the other shippers intended to avoid misbranding violations.

2. Produce Agency Act

Most of the complaints filed under this Act involved consigned shipments of cut flowers or Christmas trees on which the consignors requested the accounting to be verified, or on which the net returns for the shipments had not been paid by the commission merchants.

Cases handled. During the fiscal year 1965, 20 new complaints were filed and there were six cases pending under this Act for a total of 26 complaints of which 17 cases were closed. No cases were referred to the Department of Justice or filed in court during this year.

3. Plans for the Future

- (a) Licensing. A survey was made in Fiscal Year 1965 by a systems analyst of General Services Administration of the feasibility of using source data automation in the processing of new PACA licenses and the renewing of licenses. It was found that the use of this type of equipment to record the essential information would result in increased efficiency and furnish faster service to the members of the industry. Equipment has been obtained and conversion to the new system began January 1, 1966.
- (b) Education Program. The educational program to inform members of the industry of the Act and the Regulations and our procedures in handling complaints will be continued. By trade meetings, marketing clinics and published material, we will continue to encourage the shippers and dealers to reduce their oral agreements to written contracts in order to avoid expensive disputes. Experience has shown that this program pays excellent dividends in encouraging cooperation with the Department.

PASSENGER MOTOR VEHICLES

The 1967 Estimates provide for the replacement of 11 passenger motor vehicles. This represents 22 percent of the total 50 passenger motor vehicles available to the Consumer and Marketing Service.

The 11 replacements in fiscal year 1967 include: (a) 9 vehicles for Consumer Protective, Marketing and Regulatory Program activities; (b) 2 vehicles for trust fund activities.

Passenger motor vehicles are replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that to be replaced vehicles must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1967 represents the minimum required to maintain essential services of the current programs of the Consumer and Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Packers and Stockyards Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and in connection with assistance to farmers in preparing tobacco for market; (3) for travel to places which are in most cases not accessible by common carrier such as to farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1965 follows:

Age - Year Model	Age Data		Lifetime Mileage (thous.)	Mileage Data	
	Number of Vehicles	Percent of Total		Number of Vehicles	Percent of Total
1960 or older	11	18	over 100	1	2
1961	8	13	80-100	1	2
1962	15	25	60- 80	11	18
1963	15	25	40- 60	22	36
1964	10	17	20- 40	13	22
1965	1	2	under 20	12	20
	<u>60</u>	<u>100%</u>		<u>60</u>	<u>100%</u>
	==	==		==	==

FOREIGN AGRICULTURAL SERVICE

Purpose Statement

The Foreign Agricultural Service was established March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690 approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service. More recently, the Secretary has assigned to the Service, by transfer from other agencies of the Department, responsibility for the barter and stockpiling program, general sales management for government-owned surplus commodities, ocean transportation functions related to the export of commodities under U.S. programs, and activities relating to developing, evaluating and reviewing the program for donations of food abroad through voluntary agencies, pursuant to Title III of P.L. 480.

The primary function of the Foreign Agricultural Service is to help American agriculture in maintaining and expanding foreign markets for its products.

The agency performs two principal kinds of service functions:

It maintains a worldwide agricultural intelligence and reporting service, to assist U.S. agricultural industry in its export operations. This is done through a continuous program of analyzing and reporting foreign agricultural production, markets, and policies.

It helps to develop foreign markets for U.S. farm products through administration of special export programs and through helping to secure international trade conditions that are favorable toward our products.

International Trade - The Service directs and coordinates Department participation in the formulation of trade programs and agreements to stabilize and expand world trade in American agricultural products, and to reduce restrictive tariff and trade practices against import of American agricultural commodities. The relationship with the European common market is a continuing problem and intensive efforts are being made to maintain access to the market for U.S. agricultural commodities. This requires comprehensive analysis of the developing situation in the common market countries and related trade areas and appropriate representation to officials of the European Economic Community. Preparations for and participation in the Kennedy round of trade negotiations require a major effort. Recommendations for the departmental positions on trade agreements and international commodity agreements are formulated. Continuous review is made of the trade regulations of signatories to the General Agreement on Tariffs and Trade as these regulations affect the movement of American farm products in international trade. The Service administers a program of import controls in accordance with Section 22 of the Agricultural Adjustment Act of 1935, as amended.

Agricultural Attaches - Agricultural attaches located in 59 posts assist in the development of markets abroad for U.S. agricultural commodities. This includes major responsibility for supervision of market activities carried out in cooperation with trade groups. They check and report on arrivals of commodities and on compliance with terms of concessional sales. In addition, they have an active role in promoting U.S. agricultural interests in bilateral and multilateral trade policy negotiations. A comprehensive schedule of foreign agricultural market and trade reporting is maintained to meet the needs of the American agricultural industry.

Export Programs - Maintenance and expansion of foreign markets for surplus agricultural products are promoted by (a) developing agreements with foreign countries for sales of U.S. agricultural commodities under Public Law 480 and following up on the shipments of those commodities; and (b) coordinating, directing, financing and supervising the operation of market development programs for agricultural products. Market development to expand markets for U.S. agricultural commodities is carried out by (1) projects carried out by trade groups; (2) maintaining permanent agricultural promotion activities at 3 trade centers; and (3) conducting and participation in major overseas exhibitions, fairs, and miscellaneous merchandising activities. The Service programs commodities made available through voluntary agencies under Foreign Donation Program.

Commodity Programs - Information on foreign market requirements for specific commodities is obtained, analyzed, and made available to farm and trade groups as is information on production, trade, prices, etc. A continuous program is carried on to maintain and expand the market abroad for U.S. farm products. This program includes developing and supervising Commodity Market Development Projects. Assistance is rendered to domestic trade representatives in negotiations with foreign government officials, importers, and consumers and bringing together American exporters and foreign importers under conditions favorable to trade.

Barter and Stockpiling - The Service, in cooperation with other government agencies, conducts a barter program designed to utilize surplus agricultural commodities, in lieu of dollars, in acquiring from other countries, goods, materials and equipment required by other government agencies and for the national and supplemental stockpiles. This work is financed from funds transferred from "Administrative Expenses, Commodity Credit Corporation."

General Sales Management - The Service conducts a general sales management program to develop dollar export sales for government-owned surplus agricultural commodities and pricing policies and programs for sales for export including sales for credit. The program also includes price and quality review for commodities sold under Public Law 480. Foreign data such as prices and stocks and rail, truck, barge and ocean freight rates and other market information is collected and recorded for use in program development. Information concerning prices and other sales terms, sales programs and commodity availabilities is furnished to U.S. exporters, foreign importers and foreign government officials. This work is financed with funds transferred from "Administrative Expenses, Commodity Credit Corporation."

Assistance to International Agricultural Development Service - FAS provides management services to the International Agricultural Development Service pursuant to Secretary's Memo. 1541, Supplement 1, dated August 2, 1963. That Service administers the Department's participation in the agricultural phases of the foreign economic assistance programs. This is financed from funds transferred from the Agency for International Development.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Foreign Agricultural Service:						
Salaries and expenses:						
Appropriation	\$20,779,458:	702	\$20,752,000:	705	\$21,379,000:	757
Transfer from Section 32 .	3,117,000:		3,117,000:		3,117,000:	
Total, Salaries and expenses	23,896,458:	702	23,869,000:	705	24,496,000:	757
Salaries and expenses (Special: foreign currency program)	a/	27	a/	27	a/	27
Total	23,896,458:	729	23,869,000:	732	24,496,000:	784
Obligations under other USDA appropriations:						
Allotments from Commodity Credit Corporation for:						
Barter and stockpiling .	584,976:	53	606,000:	55	611,000:	55
General sales manager	760,657:	56	879,000:	60	886,000:	60
Ocean transportation functions	166,719:	18	212,000:	21	215,000:	21
Foreign donations (Title III, P.L. 480)	73,871:	6	95,000:	7	96,000:	7
Total, allotment from CCC:	1,586,223:	133	1,792,000:	143	1,808,000:	143
Total, Agricultural Appropriation Bill	25,482,681:	862	25,661,000:	875	26,304,000:	927
Other funds:						
Agency for International Development:						
Administrative services to the International Agricultural Development Service relating to:						
Training of foreign participants	62,254:	10	66,000:	10	67,000:	10
Technical consultation .	52,610:	7	54,000:	7	56,000:	7
Special projects	4,993:	1	25,000:	2	25,000:	2
Total, Agency for International Development .	119,857:	18	145,000:	19	148,000:	19
Reimbursements for miscellaneous services to other Departments	99,258:	3	60,000:	2	61,000:	2
Total, other funds	219,115:	21	205,000:	21	209,000:	21
Total, Foreign Agricultural Service	25,701,796:	883	25,866,000:	896	26,513,000:	948

a/ No appropriations are required for this item since the unobligated balances brought forward from prior year appropriations are sufficient to carry out this program. Obligations out of such appropriations were \$960,284 in 1965 and are estimated at \$900,000 in 1966 and \$1,000,000 in 1967.

(a) Salaries and Expenses

	<u>Salaries and Expenses</u>	<u>Transfer from Section 32</u>	<u>Total</u>
Appropriation Act, 1966	\$20,574,000	\$3,117,000	\$23,691,000
Proposed supplemental, 1966, for increased pay costs	178,000	- -	178,000
Base for 1967	20,752,000	3,117,000	23,869,000
Budget Estimate, 1967	21,379,000	-3,117,000	24,496,000
Increase	<u>+627,000</u>	<u>- -</u>	<u>+627,000</u>

NOTE:--The above tabulation and the project statement and justifications below relate to the direct appropriation and the transfer of Section 32 funds. In addition, the Foreign Agricultural Service receives an allotment from Commodity Credit Corporation funds for general sales management, barter and stockpiling, and ocean transportation functions. Further information on the funds for these activities is shown on the project statement immediately following this justification.

SUMMARY OF INCREASES AND DECREASES

	<u>1966 Available</u>	<u>Increase or Decrease</u>	<u>1967 Estimate</u>
		<u>Pay Costs</u>	<u>Other</u>
To recruit U.S. nationals into posts in International organizations	\$667,000	+\$6,000	+\$22,000
To strengthen Agricultural Attache Service	4,456,000	+23,000	+439,000
To assure compliance under P.L. 480 and to increase the effectiveness of Market Development programs to expand dollar exports	1,195,000	+12,000	+168,000
Decrease in other market development activities	14,902,000	- -	-140,000
Supervision of market development projects	2,649,000	+25,000	+72,000
Total	<u>23,869,000</u>	<u>+66,000</u>	<u>+561,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	<u>Increases and Decreases</u>		1967 (estimated)
			<u>Increased</u>	<u>Other</u>	
			<u>Pay Costs</u>		
			<u>(P.L.89-301)</u>		
1. International trade ..	\$606,575	\$667,000	+\$6,000	+\$22,000(1)	\$695,000
2. Agricultural attaches. :	4,133,096	4,456,000	+23,000	+439,000(2)	4,918,000
3. Export programs	14,598,963	16,097,000	+12,000	+28,000(3)	16,137,000
4. Commodity programs ... :	2,477,635	2,649,000	+25,000	+72,000(4)	2,746,000
Unobligated balance	2,080,189	- -	- -	- -	- -
Total increased pay cost (P.L. 89-301)	(- -)	(179,000)	(+66,000)	(+18,000)	(263,000)
Total available or estimate	23,896,458	23,869,000	+66,000(5)	+561,000	24,496,000

(1) An increase of \$22,000 to provide full-time professional assistance for the recruitment of U.S. nationals into posts in international organizations.

United States interests require representation in international organizations by well qualified citizens. More emphasis needs to be given to spotlighting vacancies in the Food and Agriculture Organization (where, for example, U.S. nationals account for only 15% of total employment), the Organization for Economic Cooperation and Development, and similar organizations where U.S. nationals might be placed. Also, a roster of persons qualified for and interested in such vacancies must be maintained. To spearhead recruitment for foreign service in international organizations this increase would finance a professional recruiter experienced in this area familiar with these organizations.

(2) An increase of \$430,000 to enable the Agricultural Attache Service to meet needs at foreign posts to attain maximum exports of U.S. agricultural products.

The Agricultural Attache Service must be strengthened substantially if it is to meet its increasing responsibilities for more effective supervision of market development projects, more effective supervision and reporting on U.S. concessional sales programs, performing work imposed by a sharp expansion in agricultural trade, meeting rising competition for U.S. exports and increased demand for foreign agricultural information. It is important that the U.S. utilize all opportunities to maintain and expand overseas markets for our agricultural products to reduce costs of domestic programs, make further contributions to improvement of our balance of payments situation and lend additional support to the domestic economy.

Since the agricultural attaches were reestablished in the Department of Agriculture more than 10 years ago, they have devoted a major part of their time to developing new markets and preserving established commercial markets abroad for U.S. agricultural commodities. During this time our total agricultural exports have increased from \$2.9 billion to \$6.1 billion and commercial sales for dollars have risen from \$2.3 billion to \$4.5 billion.

The demands upon the Agricultural Attache Service--which occupies a key position in the Foreign Agricultural Service--have been intensified by rapidly changing international agricultural production and trade developments. For example, as the disparity between population growth and domestic food production continues to spread, particularly in the less developed countries, agriculture becomes a more important factor in national political affairs. In these cases the Agricultural Attache is called upon by his co-workers in the Embassy for assistance in projecting trends of political importance to the U.S. In the more advanced countries where agricultural imports are largely on a commercial basis, there are growing problems in terms of stronger competition, the formation of economic unions, import restrictions, etc., all of which place increased demands upon the Agricultural Attaches' time.

Actions which need to be taken promptly are: (1) the assignment of additional personnel at selected existing posts; and (2) an expanded training program for attache personnel to increase their effectiveness.

Additional personnel for existing posts. The addition of an assistant attache in Tokyo, London, Rome, Bonn, Paris is needed to provide closer on-the-spot supervision of 82 different market development projects involving the expenditure of almost \$5 million of U.S. funds. In calendar year 1964, these five countries imported \$2 billion worth of U.S. agricultural products, substantially all of which was for dollars--approximately one-third of total U.S. agricultural exports. Investigative reports from the General

Accounting Office, Committee on Government Operations of the House of Representatives, and the Office of the Inspector General in the Department all have stressed the need for closer supervision of the cooperative market development program.

These five assistant attaches would be full-time market development supervisors and coordinators who would work with and assist cooperators during all stages of the program, market analysis program development, carrying out of the annual marketing plan, preparation of budgets, checking performance under the plan and making program adjustments as required.

Assistant attaches would be assigned to Hong Kong, Iran, Liberia, Nigeria, and Kenya. These five one-man posts are expected to cover a total of 27 countries, most of which are growing markets (both commercial and concessional sales) for U.S. agricultural commodities. The needs to be met would include compliance with concessional sales program, meeting increased reporting needs such as market development supervision, competition, marketing opportunities, prices, trade information and intelligence required in maintaining proper terms of sales and providing the basis for policy decisions. In most of these countries, agriculture accounts for a major part of their economy. The Agricultural Attache is expected to keep in close touch with all important agricultural developments and interpret their significance to other members of the Embassy staff.

Resident non-U.S. citizens (local employees) are used to the extent practicable to assist attaches. These employees provide services at lowest possible costs. These employees compile statistical data, draft some reports, interpret and translate for U.S. trade individuals and groups, provide clerical services and perform other duties in accordance with their capabilities. A local employee is requested for each of the posts in Pakistan (Dacca), Hong Kong, Trinidad, and the Soviet Union.

Expanded training program. The expanded training program needed to increase effectiveness of the Agricultural Attache Service includes:

- (a) a thorough knowledge of commercial trade operations
- (b) a detailed understanding of the various U.S. Government sales programs
- (c) adequate training in the principal language of the country to which the person is assigned
- (d) a comprehensive orientation to equip the employee and his family to perform most effectively in a foreign assignment
- (e) specialized training concerning the geographic area to be assigned.

The training should materially increase the efficiency of personnel being assigned to their first posts. Retraining between assignments will also increase effectiveness of our attache staff. Training and retraining for officers and secretaries will require annually at least eight man years of time of the persons assigned and to be assigned to the overseas staff. The addition of one man and a secretary to the Washington staff to coordinate this training is also needed.

(3) An increase of \$28,000 for Export Program made up of the following: (a) An increase of \$168,000 to meet increased program operations workload particularly on assuring compliance by foreign countries with the provisions of sales under Titles I and IV of P.L. 480 and to increase the effectiveness of foreign Market Development programs in expanding dollar exports of U.S. agricultural commodities.

Program Operations: A significantly increased workload has developed in carrying out the compliance functions under Title I and Title IV, Public Law 480 sales. This results from several factors; (1) the number of newly developing nations participating in the program;

(2) increased emphasis on supplying more comprehensive materials and information to the Attaches and Embassies; (3) the necessity of visits to overseas countries to explain purchasing and shipping techniques; (4) and the need for additional travel to countries having Title I and Title IV agreements for the purpose of assuring that local officials be fully knowledgeable of the procedures which will assure prompt reporting as it relates to compliance provisions of the agreements.

To assure an effective compliance program, closer relationships must be maintained with the Commodity Divisions, General Sales Manager's Office, and Program Development Division. These contacts will have to do largely with usual marketings, evaluation of marketing situations, and continuing surveillance of imports and exports of the recipient countries.

Additional professional personnel will be needed to permit visits to each of the Public Law 480 countries on a yearly basis. Such additional personnel also will permit visits to those countries entering the program for the first time prior to the issuance of any purchase authorizations to assure their understanding of the program and the obligations entailed.

The increased staff herein requested will also facilitate the development and preparation and revision of standard operating procedures and regulations. Taking into account the totality of the increased workload in the field of the Program Operations Division, the requested increase is minimal if the interests of the Government are to be appropriately protected.

Market Development Effectiveness: A number of good possibilities exist for further expanding foreign markets for U.S. agricultural products, but they are possibilities which (1) need to be explored on a systematic, research-and-development basis and (2) require the services of additional, specially-skilled personnel.

The services of highly professional marketing analysis specialists (as opposed to market economists) are needed for the development of more specific information on the detailed requirements of foreign markets. Such marketing analysis specialists would (1) arrange for necessary additional study of the specific marketing factors of various foreign markets for U.S. agricultural products and (2) integrate such factors into the planning and execution of appropriate promotion programs. The work would supplement existing economic studies and those being conducted by the Economic Research Service and by the Foreign Agricultural Service.

The services of highly professional marketing promotion specialists also will be needed to reinforce the promotion and advertising work of our industry cooperators and trade fair and trade center staffs, not all of whom have been able to avail themselves of experienced professional, promotional technicians.

Both of these specialized services will be necessary if the over-all effectiveness of the program is to be significantly up-graded and if new possibilities for further export expansion are to be effectively exploited. The increase is requested to round out the Export Programs staff with people who have these specialized skills.

(b) A decrease of \$140,000 for market development projects.

The decrease represents the elimination of projects in areas which have been determined to offer a marginal market potential for dollar exports.

(4) An increase of \$72,000 for more effective supervision of market development projects.

The increased responsibilities of the commodity Divisions to supervise adequately the operations of Commodity market development projects have not been matched by increases in staff to carry these out.

In fiscal year 1959 there were 34 cooperators carrying out market development activities under which 2.1 million dollars were expended. In fiscal 1965 there were 45 different industry cooperators with expenditures of about 6.2 million dollars. The staffs of the Foreign Marketing Branches in the Commodity Divisions have remained about constant over this period, amounting to 44 persons on June 30, 1959 and 43 persons on June 30, 1965.

Some of the work of marketing specialists necessarily has been diverted to servicing and supervising the cooperator projects, with the result that less attention has been directed to commercial trade problems and opportunities than was given five or six years ago. As a consequence, the Foreign Marketing Branches have not been able adequately to supervise cooperator projects and at the same time fully service commercial trade needs.

In order to assure maximum efficiency and effectiveness of our cooperator projects, and to adequately carry out the marketing specialist functions to assist commercial trade, it is necessary that the staffs in the Foreign Marketing Branches be increased.

(5) An increase of \$66,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

Allotment from Commodity Credit Corporation

	Administrative Expense Limitation	Other (Corporate Fund)	Total
Appropriation Act, 1966	\$1,692,000	\$60,000	\$1,752,000
Increase in transfer from Commodity Credit Corporation for increased pay costs	40,000	- -	40,000
Base for 1967	<u>1,732,000</u>	<u>60,000</u>	<u>1,792,000</u>
Budget Estimate, 1967	<u>1,748,000</u>	<u>60,000</u>	<u>1,808,000</u>
Increase (to provide for the full-year costs of pay increases pursuant to P.L. 89-301)	<u>+16,000</u>	<u>- -</u>	<u>+16,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases and Decreases Increased Pay Costs (P.L. 89-301)	Other	1967 (estimated)
Barter and stockpiling (Administrative expenses limitation)	\$584,976	\$606,000	+\$5,000	- -	\$611,000
General sales management (Administrative expense limitation)	760,657	879,000	+7,000	- -	886,000
Ocean transportation functions: Administra- tive expense limitation.	107,021	152,000	+3,000	- -	155,000
Other (Corporate fund)	59,698	60,000	- -	- -	60,000
Total, Ocean trans- portation functions	166,719	212,000	+3,000	- -	215,000
Foreign donations (Title III P.L. 480)(Adminis- trative expense limita- tion)	73,871	95,000	+1,000	- -	96,000
Total increased pay costs (P.L. 89-301)	(- -)	(40,000)	(+16,000)	- -	(56,000)
Total available or estimate	1,586,223	1,792,000	+16,000(1)	- -	1,808,000

(1) An increase of \$16,000 to provide for the full-year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

Current Activities: The Foreign Agricultural Service's chief function is to carry out a broad program to assist American agriculture in maintaining and expanding its foreign markets.

Among the Service's specific duties are operation of a world-wide agricultural intelligence system through agricultural attaches; direction of a cooperative program with industry for the development of commercial export markets; the carrying out of major responsibilities for export programs under the Agricultural Trade Development and Assistance Act-- Public Law 480--and related authorizations; and the administration of certain agricultural import control programs.

Agricultural attaches are stationed in 59 posts throughout the world to represent U. S. agriculture. The work of the attaches includes a comprehensive system of reporting to meet the needs of U. S. agriculture, serving as the voice of American agriculture at the posts, and the taking of necessary action in the development of foreign markets for U. S. agricultural products.

The State Department is reimbursed by the Foreign Agricultural Service for administrative and other support costs furnished overseas at attache posts.

The program for the development of commercial export markets is currently being carried out in approximately 70 countries through more than 40 agricultural and trade organizations. The program consists of market analyses, trade contacts, advertising, international exhibits and seminars and other promotional activities financed jointly by government and private funds. The government share of overseas costs of these cooperative programs is met out of foreign currencies accruing through the sale of surplus commodities under Public Law 480. This program was one of the factors in bringing U. S. agricultural exports to a new record high in 1965.

The expansion and stabilization of world trade in agricultural products is also encouraged through the Service's work in seeking the removal of trade barriers, the study of foreign competition with American products, the analysis of market situations affecting the sale of agricultural commodities throughout the world, and dissemination of the information to U. S. farmers, processors, exporters and other interested groups.

Current information for agricultural commodities on foreign production, markets, policies and competition are gathered, analyzed, interpreted and disseminated to United States farmers, businessmen and government officials.

In the Public Law 480 (Food for Peace) program, the Service is the operating arm of the Department of Agriculture in those activities for which the Department has been assigned major responsibility within the government, i.e., sales for foreign currencies (Title I), foreign donations through voluntary agencies (Title III), barter (Title III), and sales for long-term dollar credit (Title IV). Major attention in these programs is currently being given to strengthening the procedure for adequate checking and reporting of arrival of commodities in the countries of destination.

Selected Examples of Recent Progress:

SUMMARY OF EXPORTS

1. U. S. agricultural exports were a record \$6.1 billion in fiscal year 1965. As shown in the following table, U. S. agricultural exports totaled a record \$6,096 million in fiscal year 1965 compared with \$6,067 million in the previous year (Chart No. 1). The export picture in 1964-65 was dominated by a substantial rise in U. S. exports of corn, soybeans, cottonseed and soybean oils, and oilcake and meal with smaller increases for inedible tallow, and hides and skins. However, these gains were about offset by substantial declines in wheat and flour, cotton, tobacco, vegetables, meat and products, poultry meat, and rye. Export records were established for corn, grain sorghums, soybeans, inedible tallow and greases, variety meats, hides and skins, oilcake and meal, and soybean oil.

U. S. Agricultural Exports: Value by Commodity
Fiscal Years 1964 and 1965

Commodity	1964	1965 <u>1/</u>	Change
	-- Million dollars --		Percent
Grains and preparations <u>2/</u>	2,616	2,447	-6
Vegetable oils, oilseeds and products <u>2/</u>	842	1,115	+32
Livestock products <u>2/</u>	773	808	+5
Cotton excluding linters	670	584	-13
Tobacco	421	395	-6
Fruits and preparations	274	289	+5
Vegetables and preparations <u>2/</u> ..	164	154	-6
Other <u>2/</u>	307	304	-1
Total	6,067	6,096	

1/ Preliminary.

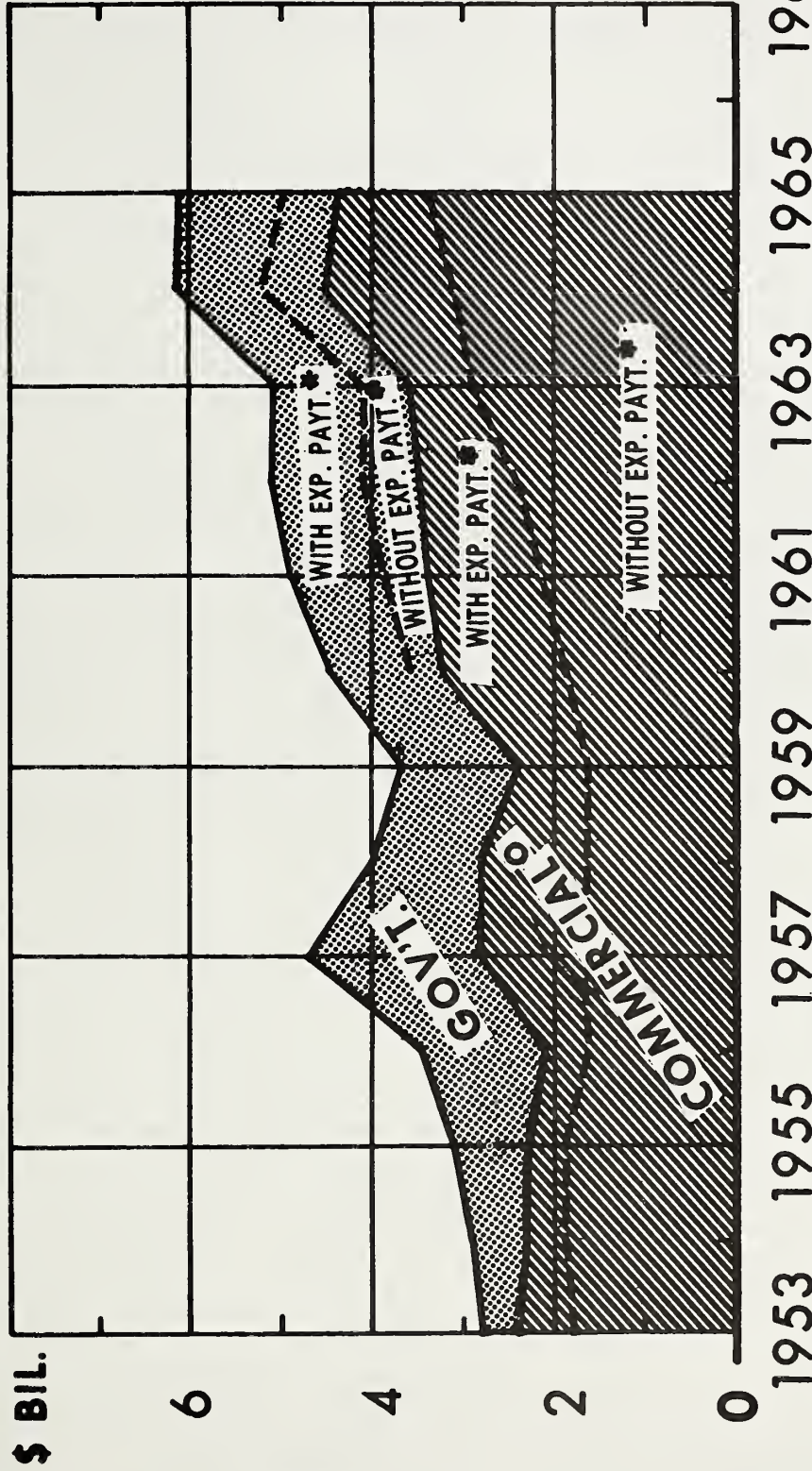
2/ Includes private relief, mostly CCC donations to private welfare agencies for overseas distribution.

2. Dollar sales near record level in fiscal year 1965. U. S. exports for dollars totaled \$4,426 million in fiscal year 1965 and accounted for 73 percent of the \$6,096 million total. Gains in dollar sales of feed grains, soybeans, cottonseed and soybean oils, and protein meal were offset by declines in wheat and flour, cotton, tobacco, and rice.

Exports under the Food for Peace program totaled \$1,670 million in fiscal year 1965 compared with the previous year's \$1,586 million. Substantial quantities of wheat and flour, rice, vegetable oils, and dairy products moved to the developing countries under the Food for Peace program. Food for Peace exports accounted for 27 percent of

U.S. AGRICULTURAL EXPORTS

Commercial, and Under Specified Government Programs
With and without Export Payment Assistance



*"EXPORT PAYMENTS" INCLUDE PAYMENTS IN CASH OR IN-KIND AND SALES FROM GOVERNMENT OWNED STOCKS AT LESS THAN DOMESTIC MARKET PRICES. DATA FOR EXPORT PAYMENTS UNDER GOVERNMENT PROGRAMS ARE NOT AVAILABLE BEFORE 1960. YEAR ENDING JUNE 30. DOLLAR SALES.

total U. S. agricultural exports in fiscal year 1965 compared with 26 percent in the previous year.

3. Agricultural Exports to the European Economic Community Advanced in Fiscal Year 1965. The six members of the European Economic Community (EEC) as a whole bought \$1,371 million worth of U. S. agricultural exports in fiscal year 1965 compared with the previous year's level of \$1,333 million (Chart No. 2). Exports of both commodities subject to EEC variable levies and those not subject to the variable levies increased slightly from a year earlier. Exports of commodities subject to variable levies totaled \$463 million compared with the previous year's \$449 million. The substantial rise in exports of feed grains was about offset by declines for wheat and flour, rye, rice, broilers and fryers, lard, pork, and eggs. EEC imported less wheat in 1964-65 because of improved harvest from the previous year when production and quality of wheat was down substantially. The variable levies were quite effective in reducing U. S. exports of wheat flour which declined to \$5 million in 1964-65 from \$8 million in the previous year. Exports of broilers and fryers and stewing chickens also fell sharply from a year earlier reflecting the adverse effect of the variable levies. Pork exports fell sharply from the previous year when EEC imported substantial quantities of pork because of short supplies within the area. Exports of feed grains rose 36 percent to \$378 million from \$278 million. This year feed grain exports have been encouraged by a substantial rise in livestock production and reduced production of hay and forage in the EEC area. Slight increases were noted for turkeys and canned poultry. The variable levies on turkeys were considerably lower than those for broilers and fryers because of the high supplementary levies. Exports of canned poultry are not affected by the variable levies since they are bound in GATT at 21 percent ad valorem.

Exports of commodities not subject to variable levies totaled \$908 million compared with the previous year's \$884 million. The substantial gains in imports of soybeans, protein meal, vegetable oils, and variety meats were nearly offset by a substantial decline in U. S. exports of cotton. Exports of fruits and vegetables showed relatively little change from a year earlier. Exports of cotton to the EEC this year have been adversely affected by the large free world production, working down of stocks, decline in consumption in some countries and large EEC imports of cotton textiles. In addition, EEC continues to expand its production of synthetic fibers. Tobacco exports were down because of increased competition from Rhodesia. U. S. exports of soybeans, protein meal, vegetable oils, and tallow have been stimulated by reduced olive oil production in the Mediterranean Basin. Demand increased for protein meal because of the expanding livestock industry and limited hay and pasture output in the EEC.

4. Export Market Benefits Many U. S. Farmers. It is estimated that 71 million U. S. acres were required to produce the various quantities of agricultural commodities exported in fiscal year 1965. This is equivalent to 1 out of every 4 harvested acres in the United States. On a value basis, U. S. agricultural exports were equivalent to 17 percent of total cash receipts from farm marketings. Although the

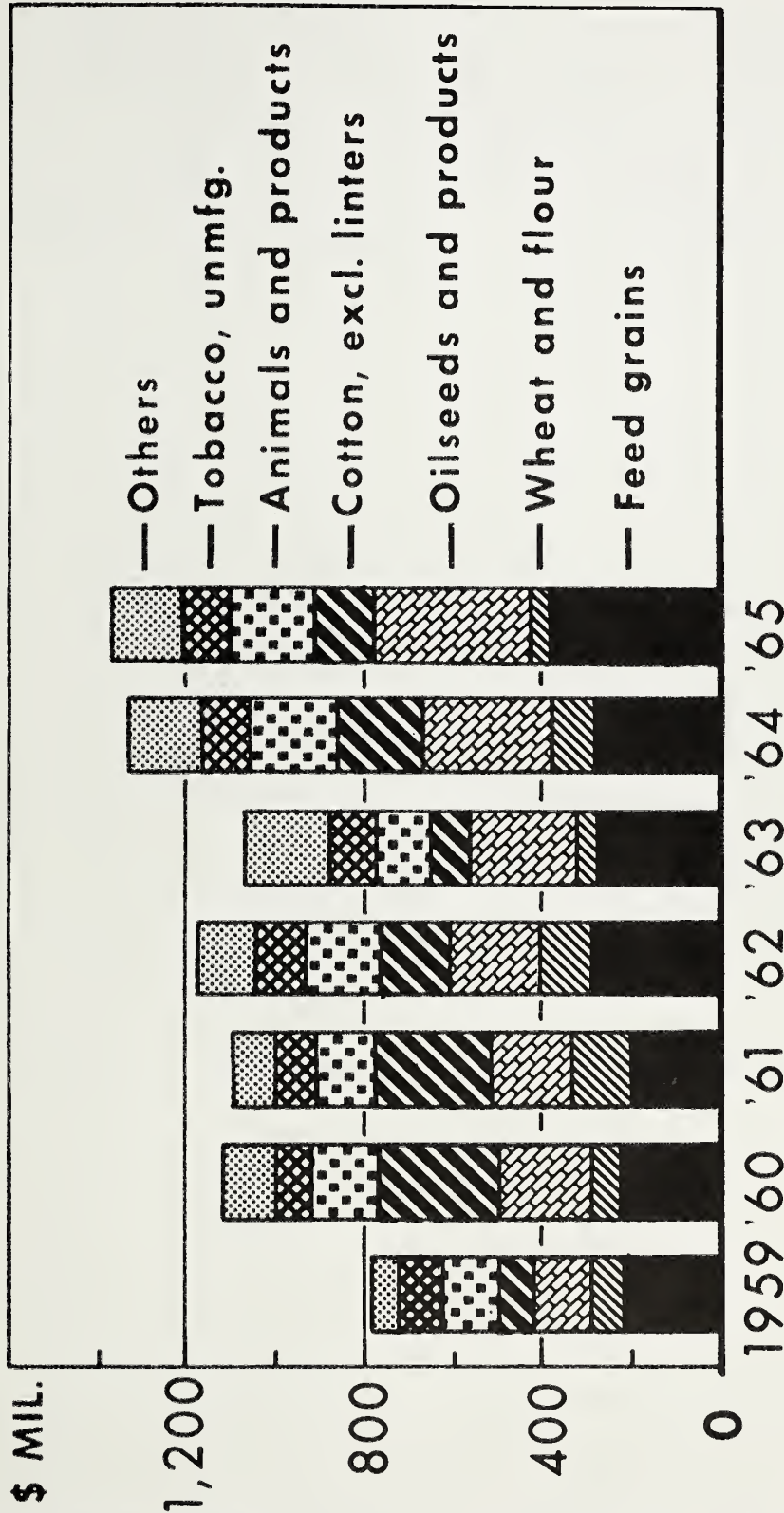
agricultural market is significant to all U. S. producers, it is a particularly significant outlet for a number of U. S. commodities as shown in the following table. In fiscal year 1964-65, the export market provided an outlet for over half the dry edible peas, rice, wheat, and soybeans; over two-fifths of the hops, nonfat dry milk, and tallow; nearly a third of the cottonseed, dried prunes, flaxseed, and cotton; and one-fourth of the tobacco, grain sorghum, and raisins.

U. S. Agricultural Exports in Fiscal Year 1965
Compared with 1964 Production

Commodity	Unit	Production	Exports	Percent of production exported
		-- Million units --		Percent
Dried edible peas	Cwt.	4.7	2.8	60
Rice (milled basis)	Cwt.	51.2	28.6	56
Wheat, incl. flour equiv....	Bu.	1,290.5	714.7	55
Soybeans including oil equiv.	Bu.	699.9	354.2	51
Nonfat dry milk	Lb.	2,149.5	945.3	44
Hops	Lb.	53.4	22.9	43
Tallow	Lb.	5,041.0	2,099.4	42
Cottonseed including oil equivalent	Ton	6.3	2.0	32
Dried prunes	Lb.	330.2	98.4	30
Cotton	Bale	15.4	4.5	29
Flaxseed	Bu.	24.4	6.5	27
Tobacco (farm sales weight).	Lb.	2,230.0	546.0	27
Grain sorghum	Bu.	490.3	118.8	24
Raisins	Lb.	475.6	113.6	24
Dried whole milk	Lb.	91.4	17.0	19
Lard	Lb.	2,476.0	442.5	18
Dried edible beans	Cwt.	17.8	3.1	17
Corn	Bu.	3,548.6	520.8	15
Barley, grain	Bu.	403.1	58.3	14
Rye, grain	Bu.	33.5	2.1	6

5. Agricultural Exports Were Nearly 3 Times Supplementary, Partially Competitive Imports. Supplementary imports consisting of products most nearly like those produced in the United States totaled \$2.1 billion in fiscal year 1965 slightly below the previous year. The ratio of agricultural exports to supplementary imports was nearly 3 to 1. Declines in imports of beef and veal, sugar, and cotton were somewhat offset by larger imports of pork, dairy products, hides and skins, apparel wool, fruits and preparations, oilseeds, and tobacco. Meat imports declined 28 percent from the previous year. This year, Australia and New Zealand have been shipping more of their beef to Western Europe because of favorable European prices. Demand

U.S. AGRICULTURAL EXPORTS TO EEC BY MAJOR COMMODITY GROUPS*



YEAR ENDING JUNE 30.

* EUROPEAN ECONOMIC COMMUNITY (EEC) INCLUDES BELGIUM - LUXEMBOURG, FRANCE, ITALY, NETHERLANDS, AND WEST GERMANY.

for imported beef in Western Europe has increased sharply because of limited supplies and general rise in incomes. In addition, U. S. production of cow beef, which competes with beef imports, has increased sharply in the past year. Imports of beef and veal were considerably below the level of the voluntary agreements and the level specified in P. L. 88-482 (Meat Imports). The decline in sugar reflects lower prices as the quantity increased slightly in 1964-65 over the previous year.

INTERNATIONAL TRADE

1. Accelerated Efforts to Eliminate Foreign Import Restrictions Against U. S. Agricultural Exports. During recent months, the Foreign Agricultural Service continued its intensified efforts to improve access to foreign markets for U. S. farm products. Vigorous efforts were made to insure that agricultural policies and programs of foreign countries gave full recognition to our export interests. Targets were the European Economic Community, the United Kingdom, Canada, Japan and a host of other countries where, large or small, commercial market opportunities exist.

The Foreign Agricultural Service endeavors were also marked by intense efforts in the field of trade policy and negotiations. Particularly outstanding were the following activities:

Trade Expansion Act of 1962

With the passage in 1962 of the Trade Expansion Act, the Administration was given an important tool with which to negotiate for freer access to markets abroad for U. S. farm products. Major efforts throughout the U. S. Government were continued in 1965 to use the broad and flexible authority of the Act in the Kennedy Round of negotiations to reduce barriers to world trade. The Department actively participated in all of these areas of work and was particularly active in areas that will directly benefit U. S. agricultural exports. In November 1964, the industrial phase of the negotiation got underway with the tabling by negotiating countries of industrial offers. Since November of that year, major efforts have been made to bring about a similar start of the agricultural phase and the Department and FAS have been in the forefront of this activity.

For example, during the eight-week period May through June 1965, the negotiating countries held daily intensive pre-negotiating discussions to identify the systems of agricultural support and protection in each country and to explore the type of negotiating offers countries might make to expand agricultural trade. Over 30 countries participated in these discussions, and all agricultural products were covered. The Foreign Agricultural Service organized and prepared detailed commodity digests for use by the U. S. delegation in these talks, supplied technical personnel, and coordinated the participation of other Department people to staff the delegation in Geneva.

All negotiating countries were scheduled to table agricultural offers on September 16, 1965. The European Economic Community (EEC), however, because of the incomplete status of some of its common agricultural policies and because of the crisis occasioned by the absence of France from the EEC Council, was unable to table its agricultural offers. Nevertheless, most of the rest of the

negotiating countries placed their agricultural offers on the table on that date. These offers, of course, were in anticipation of the time when the EEC would be able to make its contribution to the negotiation. Since September the U. S. and a number of countries have engaged in bilateral exploration of the offers which have been tabled. The Foreign Agricultural Service has been active in making people and information available in this activity.

Also, negotiating proposals for a World Grains Agreement were tabled in Geneva in May, and negotiations among the principal grain trading countries got underway in June. FAS was extremely active in the preparations for this step and supplied technical and negotiating personnel to the Geneva delegation to support these negotiations.

Offers on meat and dairy products, which are also being negotiated in special groups, have not yet been tabled, but both groups subsequently held meetings to outline their future work program and to arrange for the submission of economic data.

Economic Integration

The expanded work of the Department in the area of economic integration has continued. There are about a dozen customs unions or free trade areas in varying stages of development. Of prime concern to the Department is the European Economic Community (EEC). 1965 saw the third year of operation of the Community's Common Agricultural Policy (CAP) and presented many new problems for U. S. exports. The programs used thus far to implement this Policy are highly protectionist, and threaten to deprive the United States of important agricultural markets, both in the EEC and in third markets. The short-term effect of the CAP already has been sharply felt by some commodities. Poultry is a notable example of this effect. Throughout the year, Department officials, in cooperation with the Department of State and the Office of the Special Representative for Trade Negotiations, conducted high-level representations with the EEC Commission and member governments to safeguard the market for U. S. exports, and used the facilities of the GATT and other international forums for this activity. For example, the Department and FAS played a major role in preparing for a consultation on the poultry problem with the EEC, Denmark, Austria and Switzerland under Article XXII of the General Agreement on Tariffs and Trade (GATT), and the subsequent initiation of the poultry export program established when this consultation did not lead to a solution of the problem. This involved the collection of extensive market intelligence on world poultry trade, the preparation of a detailed background paper for the presentation to the consulting countries and supplying technical advisors for the conduct of this consultation, as well as the subsequent effort in setting up the poultry export program.

The Less-Developed Countries

During the past year, work concerning trade problems with less-developed countries has accelerated. These countries can now voice their concern about trade and development problems in at least two major international institutions--the GATT and the U. N. Conference on Trade and Development (UNCTAD). Because of the continuous pressure from the less-developed countries with respect to changes in current trade and commercial policies, including domestic policies of the developed countries, the Department has been particularly interested. During the past year, it actively participated in meetings and conferences to establish rules and procedures for trade between developed and less-developed countries. These included participation in the development of various U. S. position papers in GATT, UNCTAD and the Organization for Economic Cooperation and Development (OECD).

Trade Liberalization

The Department has continued intensive efforts to have foreign non-tariff restrictions against U. S. agricultural products eliminated. This is in keeping with the mandate laid down by the Congress in Section 252 of the Trade Expansion Act which directs the President to take all appropriate and feasible steps to eliminate the many non-tariff measures which unjustifiably and unreasonably restrict trade in agricultural products.

Progress in securing trade liberalization in specified agricultural commodities was significant in West Germany as a result of an earlier GATT Article 22 action. Examples of progress in West Germany and other specific markets follow (See also Chart No. 3):

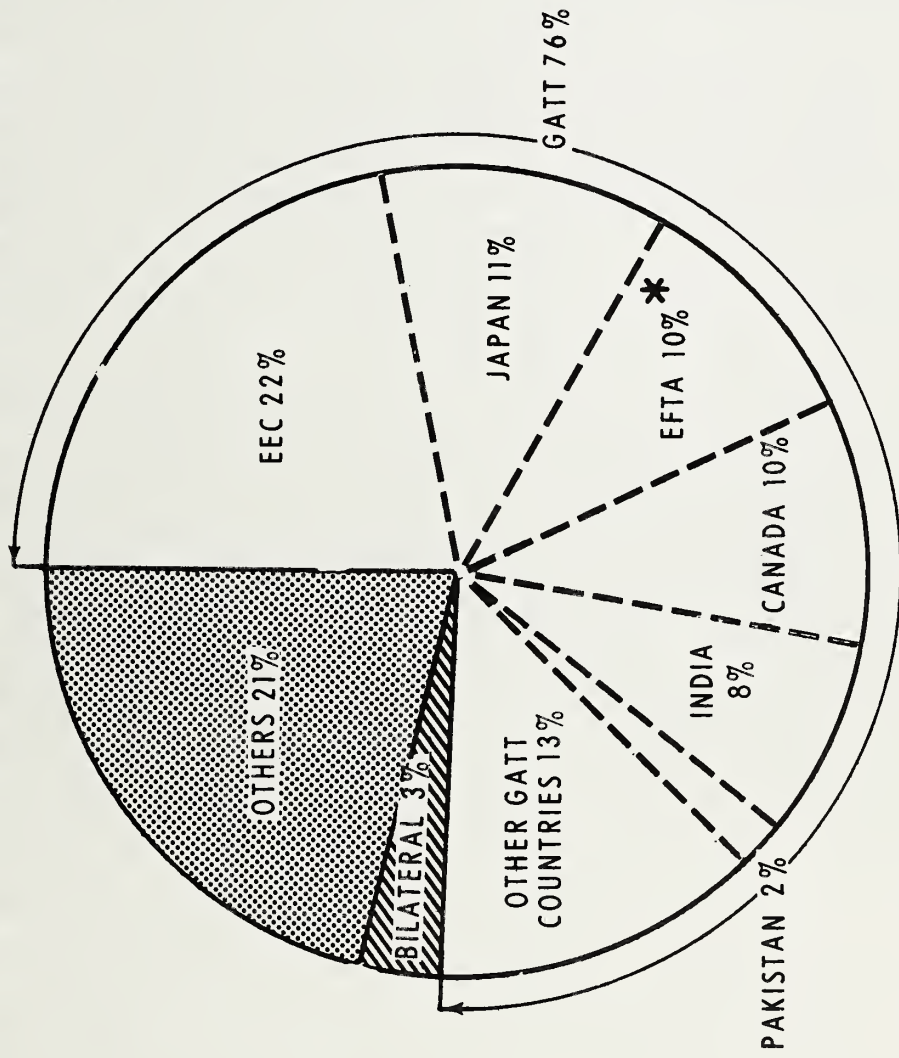
Austria - Effective December 1, 1965, imported apples and pears are no longer subject to the minimum diameter requirements and grade No. 2 apples and pears became eligible for importation. Variety limitations applicable for apples imported until November 30 have been lifted. However, apples and pears are still subject to import quotas.

Canada - Due to a recent amendment to the Canada Agricultural Products Standards Act, the three-quarter bushel basket can now officially be used as a container, except at the retail level, for imported fresh fruit.

Chile - Removed prohibition on imports of frozen chickens and beans in September and of dehydrated potatoes in December.

Denmark - On June 21, 1965, Denmark officially announced liberalization of meat and edible meat offals of rabbits, fresh, chilled, frozen, dried or smoked; fresh or chilled artichokes, beans, dill, cress, parsnip, horse-radish; fresh blackberries and gooseberries; prepared or preserved gherkins and cucumbers.

U. S. AGRICULTURAL EXPORTS TO TRADE AGREEMENT COUNTRIES



CALENDAR YEAR 1964.

* EXCLUDES SWITZERLAND WHICH HAS A BILATERAL AGREEMENT WITH THE U. S.

Finland - 1965 global quotas were issued for the following agricultural commodities; dried vegetables; meat extracts; sweets and chocolate; soups; sauces; vegetables and fruit products; other food preparations; preparations of cereal products; fruit; starches and gluten; vegetable oils; fats and oils; flours of meat. Effective August 1, the following were liberalized: Roasted ground-nuts, olives, figs, boiled linseed oil, fatty acids, acid oils and fatty alcohols.

France - In January 1965, new import quotas were issued for processed prunes; dried or dehydrated vegetables; fruit salad containing prunes; tomato preserves; canned asparagus; fruit preserves; pineapple juice, table grape juice, orange juice, apple juice, tomato juice, citrus juice mixed with pineapple juice, and other mixed fruit juices. This follows a major move resulting from U. S. action under Article 23 of the GATT for French liberalization of U. S. imports. On June 11, additional import licenses were issued for pineapple, peaches, fruit cocktail and other fruit.

West Germany - As a direct result of formal U. S. action (joined by Canada) under Article 22 of the GATT, in October 1964 West Germany announced liberalization of canned figs; roasted and salted peanuts (including mixed nuts); cocktail and maraschino cherries in containers up to 8 ounces. In addition, West Germany promised to remove discrimination on imports of fresh apples and pears from the United States and Canada. The import tender for apples and pears from the U. S. and Canada was extended from January 1 to June 30, and again for July 1 to December 31, 1965. The continuation of import tenders represents the first time that the U. S. and Canada have been allowed uninterrupted access to the West German market. In October an import tender was issued for dehydrated alfalfa. This is the first time that a tender has been valid for an entire year instead of a few months, and is a direct result of recent consultations. The import tender for canned cherries is nearly double the value of last year's tender.

Japan - The last significant liberalization by Japan was for raisins in June of 1964. A number of important products remain under restriction, however. Accordingly, in December of 1965 the U. S. entered into formal bilateral discussions with Japan to attempt to arrange a plan and schedule for further liberalization actions. This question will be pursued intensively during the coming year.

Norway - For the Fiscal Year 1965-66, Norway increased established global quotas for the following agricultural commodities: apples, live animals, flower bulbs, cut flowers, melons, ice cream powder and pudding powders, egg albumen and preparations used in manufacture of bakers' wares. Embargo on pear imports was lifted on December 8th.

Spain - In June 1965, announcement was made of liberalization of cattle under 2 years of age.

Sweden - Embargo on apple imports lifted December 7th and on pear imports November 15th.

Other Activities

The increasing concern of trading countries to obtain access to commercial markets for agricultural products has occasioned numerous meetings of policy officials and of lower-level working groups in all international forums. For example, in January, farm leaders of many of Europe's nations and the Secretary of Agriculture met in Berlin at the International Green Week Fair for conferences on the expansion of international trade. The working parties of the Organization for Economic Cooperation and Development scheduled a new series of studies on aids to the export of agricultural products. The General Agreement on Tariffs and Trade held meetings of its Committee II on Agriculture to examine changes in trade policies in the U. S. in beef, of the European Economic Community in beef, dairy products and rice, and of the U. K. in cereals and meats. In all of these activities, the Foreign Agricultural Service played a leading role in preparing the background and conference material and in staffing the U. S. Delegation to these meetings.

2. Investigations Conducted. An extensive investigation was continued on Colby and other American-type cheeses with a view toward continuing the voluntary agreement with the major supplying countries limiting exports to the United States. The agreement reached in 1964 expired on June 30, 1965. This investigation, of necessity, has taken into consideration the overall dairy surplus situation, including the effect of imports of fresh cream and articles containing less than 45 percent butterfat.
3. Import Licenses Issued. The Department of Agriculture is responsible for the administration of import controls originally instituted under Presidential Proclamations Nos. 2550, 3019, 3025, 3193, 3195, 3347 and 3460. On August 31, 1963, these Proclamations were incorporated under the Tariff Schedules of the United States pursuant to Presidential Proclamation No. 3548, as amended by Presidential Proclamations Nos. 3558, 3562 and 3597. While the responsibility is primarily concerned with the issuance of licenses for certain dairy products and the administration of regulations governing importations under license, it also includes issuing permits for the importation of seed wheat, wheat, wheat flour, and peanuts for experimental purposes. The Department developed procedures under which the Secretary of Agriculture carries out his responsibilities pursuant to Section 2 of Public Law 88-482 (Meat Imports) enacted in August 1964. Actions of the Secretary under these procedures were duly published quarterly in the Federal Register.

AGRICULTURAL ATTACHES

Agricultural Attaches intensified their efforts during the past year to expand U. S. exports of Agricultural Commodities. Their reporting has provided the Agricultural Intelligence needed for negotiating and carrying out U. S. export programs under PL-480 Titles I and IV, Barter, and CCC Credit. Their concerted efforts in sales promotion, and market opportunities has opened new outlets for U. S. foods, fibers, and feeds. Their dispatches, telex, and cables have provided needed up to the minute price and market information required to keep U. S. commodities competitive in world markets. Their intimate knowledge of consumer requirements in foreign countries has enabled them to give valuable direction to U. S. market development and promotional projects. Their technical knowledge and broad acquaintance with the trade, government officials, and other people in Agriculture have enabled them to represent U. S. interests in trade negotiations in international commodity agreements, and at technical meetings. In these ways, Attaches have made a major contribution to a record breaking 6.1 billion dollars worth of U. S. exports last year. Some specific examples of their contributions may be cited.

1. Market Promotion and Sales

Promotion of Wheat and Rice Sales to Southern Rhodesia. The Agricultural Attache, working in close cooperation with U. S. trade and with local millers in Rhodesia made a substantial contribution to the near trebling of U. S. wheat sales to Rhodesia in 1964 over the preceding year (12,600 MT vs 34,135 MT). Largely, as a result of the promotional activities by a representative of a U. S. processor and the Agricultural Attache, U. S. rice sales in 1964 increased to 2.3 million lbs. compared to only 1.1 million lbs. in 1963.

Ecuador Buys U. S. Rice. Ecuador has imported rice on two occasions in the last 30 years, 1954 and 1965. By virtue of the timely contacts by the Attache, Ecuador became a customer in 1965 for 10,500 MT and in addition bought 365 MT of improved seed. Roughly \$1.25 million in hard currency sales have now been realized.

Mexico Takes Full Responsibility for School Lunch Program. Over the past several years, the U. S. has assisted Mexico in establishing a school lunch program for about two million school children through donations of PL-480 Title III foods. It has now become so well established that on June 30, 1965, the two governments agreed to terminate Title III donations. Henceforth, Mexico will assume full responsibility for supplying all food ingredients. Furthermore, it has indicated its desire to purchase U. S. non-fat dry milk through concessional sales thereby converting a former donation to a sales basis.

Japanese Purchase Nato Rice from U. S. Early in 1964 it became evident that Japan, one of the world's leading rice producing and consuming countries, was going to be increasingly dependent upon rice imports to meet domestic demand. In view of the rather limited exportable world supply of short grain rice, which the Japanese consumer prefers, the Agricultural Attache discussed with the Ministry of Agriculture and Forestry the possibility of purchasing some medium grain rice from the Southern U. S. rice area.

The Japanese requested samples of Nato rice from the United States which were provided by U. S. rice exporters. Taste tests were conducted, and the results indicated that this Nato rice would be acceptable. As a result of this approach, the Japanese purchased 97,000 metric tons (approximately \$15 million) of Nato rice for delivery in the first six months of 1965.

2. Trade Restrictions

New Zealand Frees Dried Fruits from License Control. For a number of years, the New Zealand Government has maintained a quantitative control over dried fruits by licensing imports and foreign exchange controls. As a consequence, the U. S. exports have been restricted to only about 10 percent of a two million dollar market. These restrictions forced importers to purchase their requirements at the lowest price and often without regard to quality. U. S. fruit which is generally of superior quality and slightly higher price was often precluded from the market.

The Agricultural Attache took every opportunity during both formal and informal meetings with government officials to point out that such restrictions tend to be discriminatory and that it would be to our mutual interest to eliminate such restrictions. License controls on dried fruit were removed effective July 1, 1965. This was one of several commodities on which import restrictions were liberalized.

Mexico Liberalizes Import Permits and Duties on Oranges, Hides, Citrus Oils and Evaporated Milk. Mexico has made strenuous and successful efforts to be self-sufficient in Agricultural productions. The central program is managed through a system of import permits and duties which may be used as a virtual embargo on imports. In discussions with Mexican officials, the Agricultural Attache was able to demonstrate for several commodities that these restrictions were either counter productive or unnecessary to achieve Mexico's aims. As a consequence, Mexico has partially or entirely removed the bans on oranges, hides, citrus oils and evaporated milk, thus providing U. S. export opportunities for those items.

Corn Syrup in Canned Fruit "Adulteration" in Austria. Austrian authorities became active in applying the criteria for adulteration to the use of corn syrup in U. S. canned peaches and fruit cocktail. The Attache in cooperation with representatives of the National Canners Association, and Corn Products Refining Company discussed the problems, inconsistencies, and dangers in the position being taken. As a result, the threat of arbitrary seizures have been suspended and the Austrian authorities are working on revisions in pertinent regulations to make them consistent with those in other countries.

Many other contributions of attahces are cited in other sections of this presentation where activities and accomplishments necessarily involved the collaboration and cooperation of FAS personnel in foreign posts.

COMMODITY PROGRAMS

1. Special Effort Concerning Sales of American-Egyptian Cotton Continues. Prior to legislation in 1964 making American-Egyptian cotton available in world markets, little of this cotton was sold in world cash markets; consequently, there was a lack of knowledge concerning this type, which has militated against sales of it in foreign markets.

In order to answer the questions of foreign spinners and to acquaint them and the importers with the fiber tests results and spinning performance of American-Egyptian cotton, the Foreign Agricultural Service proceeded with the following program: (1) The Service arranged and worked with the Consumer and Marketing Service in the publication of 1,000 copies of an information bulletin entitled "Quality Relationships of American-Egyptian Cotton." Five hundred copies of this bulletin were distributed through Agricultural Attaches in 21 countries to importers and spinners. (2) FAS worked with the cotton exporters in the United States concerning the provision of test bales of American-Egyptian cotton on favorable terms to the Japanese. (3) Two FAS cotton marketing specialists and a textile technologist encouraged the export of American-Egyptian cotton by working with foreign importers and spinners in 14 different foreign countries on 25 different occasions. (4) Apparent export opportunities for American-Egyptian cotton were passed to U. S. exporters' organizations in this country for follow-up work by private industry.

Since the first competitively priced American-Egyptian cotton was offered following the legislative mandate in the fall of 1964, 38,335 bales have been exported through December 1, 1965. The value of these exports amounts to about \$7,670,000 but more importantly, knowledge concerning American-Egyptian cotton was extended to foreign markets, where such information may serve as the foundation for future sales.

2. Technical Service Program Important Link in Marketing U. S. Cotton Abroad. An important link in marketing U. S. cotton abroad is provision of on-the-spot technical services and information to overseas customers. In this continuing program, factual technical information is provided by specialists on the quality characteristics of U. S. cotton including new research developments in various phases of cotton technology, as a tool for market expansion.

Contacts with technical personnel of the textile industry in all major cotton consuming countries have resulted in increased interest in the adoption and application of new developments. For example, such technical program services have stimulated more interest among foreign customers in the potentials of new chemical finishes for cotton fabrics. More specifically, commercial production of all-cotton stretch fabrics, the advantages of which were first explained and exhibited through the technical service contacts are now being produced in an increasing volume in many cotton consuming countries abroad, thereby broadening cotton's markets. A great appreciation of the combined quality elements of American cotton by foreign spinners has resulted from a comparative study of U. S. cotton and selected competitive growths. Several major European mills cooperated by providing samples of their current supplies of foreign-grown cottons.

The results of this impartial study showed the aggregate quality elements of U. S. cotton to be equal or superior to the competitive growths. Many spinners and users of cotton are reevaluating their judgements in the selections of cotton for future purchases in view of this comparative study.

3. Competitive Aspects of Foreign Cotton Reported. A study of the cotton industry in Spain showed that import requirements of cotton have declined sharply in recent years as a result of relatively large domestic production. However, the general uptrend in cotton production has been arrested--at least temporarily--and a worthwhile market exists for competitively-priced imported cotton. Another report confirmed that increased cotton production in Mexico over the next few years will intensify competition with U. S. cotton in most foreign import markets. Mexico will surely remain as the world's second largest exporter of Upland-type cotton, and as the foremost competitor of the United States in most cotton import markets.

A survey of the cotton textile industry in the European Common Market indicates that the industry can cope with its present problems and possibly gain in relative vigor if essentially the present degree of protection against rapidly expanding imports from low-wage countries is maintained. Cotton will still face intense competition with manmade fibers. The future for cotton in that area will depend upon the vision, determination, and resourcefulness with which cotton is sold and cotton textiles are promoted within the EEC.

A report shows that Afghanistan's cotton production has doubled over the past few seasons, although the industry is still relatively small. A recent publication points out that the cotton textile industry in Thailand is undergoing rapid expansion and substantially larger quantities of raw cotton will be needed in the next few years. U.S. cotton will continue to compete strongly in the Thai market whenever U. S. prices are competitive. A report just released concludes that while India's production of cotton will rise over the next several years, the nation's textile requirements will necessitate imports of raw cotton as large as or larger than past quantities.

Information gained in a recent survey indicates that limitations on the exports of cotton textiles from Japan and Hong Kong to a number of countries when there are no corresponding limitations on blends and manmade fiber textiles are encouraging textile firms and exporters in these and other important cotton textile exporting countries to place greater reliance upon manmade fiber products than might otherwise be the case. Such developments work to cotton's disadvantage.

Studies under way suggest that competition with U. S. cotton will likely increase from larger Turkish cotton crops in the next few years, while the rise in Syrian cotton production may have been halted, at least temporarily.

4. Soybeans Again Rank as Top Dollar U.S. Export Crop. Record dollar exports of soybeans and soybean products in fiscal year 1965 carried the oilseed and product commodity group to a fourth consecutive year as top dollar earner among U. S. agricultural exports.

Commercial exports for dollars of this commodity group - chiefly soybeans, soybean meal, soybean and cottonseed oil - were \$963 million for the year ending last June 30. Closest competitor in the dollar-sale export race was feed grains and products, with cash earnings of \$868 million from sales abroad in fiscal 1965.

Of total oilseed and product exports, soybeans and soybean products accounted for \$817 million in cash export earnings, more than any other single U. S. farm crop. This is a new record high in cash exports of soybeans and also is the third fiscal year in a row that this crop has been the No. 1 dollar earner in the export market.

Total soybean and product exports, including soybean oil under government programs, in fiscal year 1965, reached a value of \$932 million. The makeup of this total export value was soybeans, \$598 million; soybean oil, \$176 million; and soybean meal, \$158 million.

Total export shipments of soybeans, plus oil and meal, represented about 40 percent of total 1964 U. S. production of soybeans.

5. Vegetable Oil Exports Large Under First Barter Program. The eligibility of U. S. vegetable oils from commercial channels in FY 1965 for the barter program resulted in exports of 166 million pounds. Limited to U. S. procurement and utilization of goods and services in foreign countries, vegetable oils have met these program costs as exports to countries that would not normally have been markets, e.g., Argentina, Burma, Australia, Sweden, and Iraq, etc.
6. Expanding Market in Iran for U. S. Vegetable Oils. U. S. dollar sales of soybean and cottonseed oil to Iran have increased steadily since 1961, the year that our market development activities began, in cooperation with the Soybean Council of America. Vegetable oil exports to Iran in FY 1965 totaled 138 million pounds or eight times the amount exported in 1961.
7. EEC Fats and Oils Policy Proposals Reviewed. Development of the EEC fats and oils policy is of vital interest to U. S. oilseed producers. The Community draft proposal does not infringe on the duty-free binding the U. S. has for soybeans and oilseed meal imports by this market. However, many problems remain that bear careful analysis and representation by the U. S. to protect this expanding \$350 million market for our oilseeds and products. The deadline for Council approval (Nov. 1, 1965) of a CAP on fats and oils, was not met.
8. First Shipment of U. S. Soybeans to the U.S.S.R. An export license covering 90,000 metric tons, or approximately 3.4 million bushels, of U. S. soybeans for export to the U.S.S.R. was approved on January 26, 1965. Shipment of the entire quantity was completed in 1965.
9. Liberalization of Trade With France. In fiscal year 1964, France liberalized imports for several fruit and vegetable commodities and established import quotas for a number of other items which were

formerly restricted or prohibited from entry into that country. This relaxation was the direct result of consultations initiated by the United States under the provisions of Article XXIII of GATT.

U. S. export performance under this new arrangement has been encouraging, particularly for canned fruits. In 1964-65, the dollar earnings from canned fruits exported to France attained a million-dollar status, almost triple the value of such trade during the preceding year. Other items registering gains, but of a somewhat lesser magnitude, included fresh apples and pears, canned asparagus and dried prunes.

10. Removal of Japanese Import Controls on Fresh Lemons. The first major step toward obtaining more liberal treatment of fresh citrus fruits into Japan was realized in early May of 1964 when the Japanese Government announced the liberalization of imports of fresh lemons. U. S. exports responded sharply. For fiscal year 1965, the value of exports to Japan rose to 4.5 million dollars, 2.7 times larger than the preceding fiscal year.
11. Increased Sales of Canned Cherries to West Germany. Efforts in seeking an enlargement of the import tender for canned cherries moving into West Germany have resulted in a substantial increase in U. S. participation in that market. In 1964-65, the value of U. S. exports of this item to West Germany rose to an all-time high of nearly 900,000 dollars, virtually double the previous high established only two years earlier. That country alone accounted for 36 percent of the total volume exported in fiscal year 1965 and approximately one-third of the total export dollar earnings.
12. United Kingdom Liberalizes Imports of Frozen Concentrated Orange Juice. In April of 1964 the United Kingdom liberalized imports of frozen concentrated orange juice. At that time U. S. citrus was in short supply with resulting high prices. Florida citrus production in 1965 recovered materially from earlier severe frost damage losses and prices became more reasonable. The market development project with the Florida Citrus Commission which had been temporarily suspended was reactivated in July 1965 to introduce this product to U. K. consumers. There appears to be good prospects for substantial sales there during the next few years.
13. Foreign Fruit and Vegetable Competition Surveyed. Recent developments in hops production and trade in the Common Market--an important customer as well as competitor for U. S. hops--were investigated and reported. A series of spot news reports on foreign hops competition and markets was initiated. U. S. hop exports have risen sharply and now account for nearly half of the U. S. crop.

In view of rising U. S. production, foreign production and foreign export competition a substantially increased schedule of reporting on foreign canned fruits was inaugurated. This will enable an expanded flow of foreign market information to the U. S. fruit canning industry which in 1964 exported \$70,000,000 of canned fruit.

Comprehensive competition surveys were published on the citrus industries of Greece and Turkey which have been attracting attention because of their increasing production and association with the European Common Market. The surveys, based on firsthand observations, indicate that neither country is likely to become a serious competitor, in either the fresh or processed fields, in the important west European market. There may be an expansion of exports, however, to eastern European countries.

14. Feed Grain Exports Continue to Set New Records. U.S. feed grain exports set another record in 1964-65 of 18.1 million tons, exceeding the shipments of last year by two million. Since 1957-58 feed grain exports have set a new record each year. This is a result of increased demands to meet the rising per capita consumption of livestock products, especially in Western Europe and Japan.

Corn exports have now reached 13.7 million tons and sorghums 3.0 million, a record for both. At the same time barley and oats have declined to 1.3 million tons and .1 million respectively.

15. Wheat and Flour Exports Second Highest in History. U. S. shipments of 730 million bushels, though 30 million less than the previous year's record, were larger than forecast. Exports for dollars, estimated at 165 million bushels, were well below the record level of 352 million in 1963-64 and reached only 60 million bushels in the July-December period. However, in late January of 1965, the USDA sharply reduced the net export price which resulted in a significant increase in commercial exports in the second half over the level of the first six months. The increase might have been even larger if it had not been for the dock strike in January and February. The major buyer of dollar exports was Japan, taking about 60 million bushels, while The Netherlands was second with 16 million.

As in 1963-64, a larger than usual proportion of the total was shipped under the Food for Peace Program and Government-financed exports totaled a record 565 million bushels. This was due mainly to increased shipments to India of 220 million bushels. Pakistan, Yugoslavia, and Brazil followed with 65 million, 49 million, and 40 million, respectively. Exports to Western Europe and Eastern Europe declined sharply, and in contrast to 1963-64, there were no sales to the U.S.S.R.

16. U. S. Increases Rice Exports to Africa. The United States has greatly increased rice exports to Africa in recent years. The record 266,000 metric tons, milled equivalent, exported to African countries in 1964 exceeded the previous record of 1962 by 56,000 tons. The volume was five times the average exports to all Africa in the late 1950's. During the same period the share exported to that continent of U. S. rice exports rose from 7 percent to 20 percent. The bulk of the shipments sold for cash. The principal cash markets were Republic of South Africa, Ghana, and Liberia in 1964 which totaled 135,000 tons compared with the average of 55,000 tons in 1956-60.

17. U. S. Wheat Prices More Competitive. During the past year a series of meetings between the principal exporting countries were held primarily to improve the competitive position of U.S. wheats in the World Market. The situation was extensively reviewed in late 1964. In early 1965 the U. S. adjusted subsidy levels to reduce wheat prices to the foreign buyer. Some adjustment was made by the other exporting countries, however the changes made by the U. S. were sufficient to improve the U. S. competitive position.
18. U.S.-U.K. Grains Agreement. The United Kingdom, a major market for U.S. grains, and its principal suppliers signed an agreement effective July 1, 1964 which provided for an introduction of a minimum import price system for grain and grain products and limitations on United Kingdom financial assistance to grain producers. The U.S. has consulted with the U. K. several times during the year regarding adjustments to the Agreement which are necessary for the United States to be competitive with other members. In addition to participating in the agreement, a study of the developments in the U. K. grain economy is presently being prepared and a release will be published documenting the developments in the U. K. grain economy and examining the changes introduced by the British and the effect they may have on U. S. grain exports.
19. EEC Grain Policy Proposals Reviewed. Developments of the EEC grain policy continue to be of primary importance to U. S. grain exports. In December 1964 the Community announced their Unified Grain Price Decision which will go into effect no later than July 1, 1967. The effects of the decision on production and consumption of grains were reviewed as well as imports from the U. S.
20. Progress of the Kennedy Round. Of primary interest and importance to the U. S. grain trade has been the progress of the Kennedy Round negotiations of GATT. Cereal negotiations got underway in June 1965 with each country tabling their respective proposals. A technical session was held in July adjourning about mid-month with plans to convene again in late September. Prior to the initial negotiations the U. S. proposal was developed. An investigation has been made of all proposals of other member countries.
21. Exports of Livestock and Meat Products Down Slightly From Record Levels. Exports of livestock and meat products in calendar 1965 totaled \$470 million, down slightly from the previous year's record value of \$478 million. The volume of animal fats and red meats, largely pork, was below the previous year, while the value was higher. The volume and value of hides and skins reached record levels during the year.
22. European Economic Community Beef Policy Reviewed. Developments in the European Economic Community beef market are of considerable importance to the U. S. livestock industry, both as they relate to U. S. imports and U. S. exports. The Community finalized its beef proposals in November 1964. During the past year, proposals for harmonized beef prices were constantly reviewed. In addition, other developments such as EEC veterinary directives, which could materially affect our variety meat exports, were studied in depth. As a result of the study of the EEC Veterinary Directive, representations were made, both to the EEC Commission and to the individual Member States, with regard to delaying the implementation of the Third Country directive until such time as formal consultations could be held with competent U. S. officials.

23. World Beef Developments Require Special Studies. The dynamic and highly fluid world beef situation requires that special reports be initiated to provide current information needed in developing and implementing U. S. policy. Reports were completed on Central America and initiated for Argentina, Europe, and Canada.

The 1964 beef import legislation (P. L. 88-482) provides for contingency quotas on beef imports. Methods for implementing this legislation were thoroughly examined and final instructions as to the implementation were formulated. The estimates required by the legislation have been successfully computed and the legislation fully implemented. The procedures used have been evaluated and adjudged extremely effective.

24. Tallow Market Becomes Increasingly Important. Tallow and greases have become an increasingly important part of U. S. livestock and meat product exports. In calendar 1965 they accounted for 41 percent of the value of U. S. exports of livestock and meat products. U. S. exports of tallow are expanding into a world market where there is increasing substitution of other oils for tallow. Studies were initiated which, when brought to fruition, should provide U. S. tallow exporters with information of importance; such as, where existing markets can be expanded or new markets developed and what specifications are necessary for U. S. tallow to meet the specific end use requirements of the importing countries.

25. Record Exports of Burley Tobacco. Exports of burley tobacco in calendar 1964, at 53 million pounds, set a new record--19 percent larger than the 44.5 million exported in 1963. The value of 1964 exports, at \$42.3 million, also was a record. Rising burley exports reflect increasing production of American-type cigarettes in foreign countries.

26. Oriental Tobacco Production and Marketing Studied in Turkey, Greece, Yugoslavia and Other Countries. Countries in the Black Sea-Aegean Sea and Adriatic Sea areas produce a large proportion of the oriental-type tobacco that is exported into world channels. Oriental tobaccos, in a limited way, tend to complement U. S. cigarette tobacco in the American-blend cigarettes but compete with American tobaccos in many markets.

The estimated production of oriental tobacco was 1.5 billion pounds in 1964, up 14 percent over 1963 and 38 percent above the 1955-59 average of 1.1 billion pounds.

A tobacco economist made an on-the-spot study in the main producing areas (excepting Bulgaria) in 1964 and the report carried the title "Oriental Tobaccos in the Changing World of Tobacco". The report states that United States American-blend cigarettes contained on an average of 9.7 percent oriental tobacco in the 1935-39 period dropped as low as 6 percent during World War II, and reached about 10.3 percent in 1963. The United States now imports approximately 125 million pounds of oriental tobacco annually, mostly from Turkey, Greece and Yugoslavia.

Producing countries are presently exporting an estimated total of 550 million pounds each year compared to about 280 million pounds during the 1935-1950 period.

There is currently an overproduction of oriental-type tobacco which may result in somewhat lower prices and greater competition for U. S. tobacco.

27. Cocoa Situation Eases. Rising cocoa bean prices brought about by smaller world production in 1965-66 and rising consumption in most importing countries has eased the 1965 cocoa crisis. Cocoa bean prices (New York Accra) fell as low as 12 cents per pound in July 1965--less than one-half of the selling price a year earlier. At the close of the year prices strengthened to about 23 cents per pound, the same level as for the similar period in 1964. However, the low prices experienced in 1965 discouraged producers from making new plantings and curtailed spraying for disease and pests. A cocoa economist is currently making survey of the major West African cocoa producing nations to evaluate the impact that the recently strengthened cocoa prices will have on the resumption of improved cultural practices and new plantings.

The current situation in cocoa has caused deep concern in producing and consuming countries and methods have been sought to alleviate the situation. Intensive studies have been made by FAS of the world's supply, distribution, and consumption patterns. These studies are used by the U. S. Government in international conferences. Further studies have been conducted, and submitted for publication on the new cocoa processing and storage facilities recently constructed in producing countries. The objective of processing cocoa in producing countries is said to be twofold--an effort to industrialize by supplying consuming countries with a semiprocessed product rather than cocoa beans, and also to produce an inexpensive product for domestic consumption. Should the latter program be successful, world consumption might be increased to bring production and consumption in better balance.

The world production estimates made by FAS are relied on heavily throughout the world, and particularly by the U. S. trade for information on availabilities.

28. World Production Estimates for Coffee. World production estimates for coffee are developed and published four times yearly. These estimates are strongly demanded by the U. S. coffee industry to provide coffee intelligence for the market. The International Coffee Agreement of 1962, as well as its predecessors, based world export quotas on these estimates because they are considered to be the most objective available. Recently, the International Coffee Organization decided to make its own estimates but this will not affect the U. S. industry's demand for FAS estimates. Coffee is among the leading agricultural commodities in world trade, and about half of this is imported by the United States. It has been in world surplus since 1957 thereby creating difficult economic problems for many of the developing nations which produce much of the world's coffee. The International Coffee Agreement came into being as a possible solution to these problems.

The Foreign Agricultural Service has represented the United States Department of Agriculture at International Coffee Agreement conferences in London during the year. Our estimates of U. S. and world import requirements have been taken into account by the ICA in arriving at total export quotas for the Agreement. Direct participation as representatives on the Statistical Committee provided an opportunity for use of world-wide coffee information in making our own assessment of the world market. After consideration of world-wide coffee intelligence, the ICA twice during the 1965 fiscal year adjusted quotas in order to bring stability to the world coffee market.

29. Reversal of Sugar Situation. Studies were made of the change from the last few years deficit world supply position to a large surplus position. World sugar production reached a record high of 72.0 million short tons which was an increase of 20 percent over the 1963-64 crop. As a result of the alltime record high of world production, world sugar prices declined to a 20-year low. Determination of world supplies, availabilities and trends is necessary for use in connection with U. S. domestic programs as well as our international responsibilities. The Agricultural Act amended and extended sugar legislation through 1971. Also, the first session of the International Sugar Conference met for the purpose of forming an International Sugar Agreement.
30. Tropical Products Situation. The Department of Agriculture is continuously being queried on the production of products not grown in the continental U. S. Information was brought together from various sources and 7 articles were published in the 1964 Yearbook "FARMER'S WORLD" on coffee, cocoa, tea, spices, and vegetable fibers (other than cotton). Another on beet and cane sugar, as well as an article on commodity agreements were also authored. Many of the tropical products are being studied by various international bodies, in order to bring supply and demand into balance, and to stabilize prices.

It has become increasingly important to have a current analysis of the world situation regarding tropical products as some of our supply sources in Southeast Asia are being diverted. FAS has made a continuing analysis of world availabilities and determination of alternate sources of supply.

EXPORT PROGRAMS

A. Accomplishments Under Market Development Projects:

1. Pilot Program for Cotton is Paying Dividends -- Sales of cotton goods in the Netherlands increased significantly in 1965 as a result of a pilot consumer advertising and merchandising program of the Cotton Council International. The program was backed by more than a year's market research and planning.

The initial vehicle was joint advertising, in which Cotton Council International paid for a black and white theme page which preceded three-page foldouts of color ads for cotton household products paid by leading manufacturers. Nine black and white cotton pages thus generated 27 pages of coordinated color ads. Simultaneous store promotions, including 91 department store and chain outlets, extended the theme "White Week Now in Color" all across the Netherlands.

The Dutch Cotton Institute reported:

"All major manufacturers joined the campaign...Compared with the same period last year, the sales of household goods of large-scale retailers increased by 20 to 100 percent with an average sales increase of 35 percent for bedclothes and towelings.

"All buying organizations participated in the White Sales campaign. They reported a 10 to 50 percent increase in sales.

"An estimated 9,000 of the 12,000 textile retailers in the Netherlands actively participated. Their turnover was 20-25 percent above the comparable 1964 period."

2. Cotton Rainwear Campaign Conducted -- Working with the International Rainwear Council, Cotton Council International launched cotton's first full-scale international rainwear campaign in 1965. IRC members, 21 firms in 14 countries, styled new lines of all-cotton, all-weather coats. The president of IRC and of the Danish rainwear firm, Christopher Franck, wrote CCI: "The sale for spring has gone very well. The sale of cotton and terylene mixture is about the same as last year...but...the sale of 100 percent cotton has risen by about 40 percent."
3. Cotton Textile Sales Higher in Austria -- Through coordinated and diversified promotion, the Maid of Cotton has created extensive publicity and sales for cotton in Austria. A leading department store in Vienna, Gerngross, reported that cotton textile sales increased about 25 percent in three weeks following the Maid of Cotton's fashion show appearance before customers and press. Additional wide-spread publicity for cotton resulted from radio and T.V. interviews - one T.V. program having an audience of about 1.6 million, press conferences, extensive coverage through photographs and other material in newspapers and magazines with a circulation reaching 75 percent of the Austrian population, meetings with prominent Austrian textile figures, and well-planned promotional events at the Vienna International Garden Exhibition.

4. Turkey Exports to Germany and Italy Increasing -- West Germany has become the major market for U. S. turkeys, accounting for over half of total exports. In fiscal 1965, exports totaled 27.1 million pounds as compared to 20.3 million pounds the previous year. Exports are continuing to climb in fiscal 1966.

This rapidly expanding turkey market is in large part a result of market development promotion activities. Much of the emphasis has been on promoting the use of U. S. turkey as a holiday dish. An intensive pre-Christmas promotion was conducted during the past year. As a result of these activities, an estimated 100,000 retail stores featured U. S. turkey and more turkey than goose was consumed during Christmas - a novel development in West Germany where goose has traditionally been the favorite Christmas dish.

Turkey promotion in Italy has produced similar results. U. S. sales of turkeys to Italy will approach 6 million pounds in 1965, about 10 times the volume in 1962. A large part of the exports consist of turkey breasts, which Italian cooks are learning to substitute in their local dishes for the traditional white veal, now scarce and high priced.

5. Poultry Exports to Japan Continue Rapid Expansion -- Poultry export sales to Japan continue to expand at a rapid rate as a result of intensified promotional activity, particularly through such activities as a special poultry show at the USDA-FAS Trade Center in Tokyo Trade Center. Export sales jumped from 7.3 million pounds in 1963 to 10.5 million pounds in 1964, in the face of an increase in poultry meat duty from 10 percent to 20 percent in April, 1964. Sales for 1965 continue at a high level.
6. Poultry Promotion Sales in Italy -- Successful Department negotiations with Italy gained access for U. S. poultry into the Italian market. Then, a cooperative market development program with the U. S. poultry industry introduced U. S. frozen poultry products by working with major Italian distributors. Limited in scope at the outset, the program was expanded in line with the rapid increase in sales. Poultry sales have grown from a total of \$203,000 in 1961 to over 1 million dollars in 1964 - a 5-fold increase in sales. Total U. S. poultry export sales to Italy in 1965 are expected to more than double total sales for 1964.

7. U. S. Soybeans Big Business in Germany -- Annual imports by West Germany are now running over 1.4 million metric tons, making it the world's largest purchaser of U. S. soybeans. Germany is also importing 250,000 to 275,000 metric tons of U. S. soybean meal to meet the needs of the expanding livestock industries in that country.

The Soybean Council of America's effective market promotion activities for soybeans and soybean products in Germany have helped to establish this record. The Council and the German Oil Millers Association have worked cooperatively together since 1958 on many jointly sponsored promotion activities. The Council also works with the German Mixed Feed Association.

Continued promotion of the use and adaptability of soybean oil in margarine and cooking oils has stepped up the demand for soybean oil and resulted in increased imports of U. S. soybeans. The introduction by the Council of properly toasted soybean meal helped establish this type of soybean meal as a primary product for use in German poultry and hog feeds.

8. Spain Buying Increased Quantities of Soybean Oil and Soybeans -- U. S. soybean oil exports to Spain reached 232 million pounds in 1964-65 and are expected to reach 240 million pounds in the 1965-66 marketing year. Meanwhile, a big market is being opened for U. S. soybeans as a result of the development of a soybean crushing industry in Spain. U. S. exports of soybeans to Spain may reach 13 million bushels in 1965-66 compared with 8 million bushels in 1964-65, and only 800,000 bushels in 1962-63.

Although sales in Spain are still dependent to a large degree on the supply situation for the locally-produced olive oil, the Soybean Council through continued promotions at consumer and trade levels has helped build an expanding long-term market for U. S. soybeans and soybean oil. An intensive press, radio, and billboard advertising campaign in 1965 helped increase soybean oil sales. Utilizing the knowledge and technical personnel stationed in Spain, a new program is aimed at stepped up consumer promotion and the establishment of a control laboratory to insure that soybean oil will continue to be available as a quality product to the Spanish consumer.

9. Japan's Consumption of Quality Soybean Meal Increases Soybean Imports from U. S. -- Market development efforts of the American Soybean Association have increased utilization of soybean meal produced from American soybeans shipped to Japan. Imports of U. S. soybeans for crushing have steadily increased, due primarily to the growing demand for soybean

meal in livestock feed during the past few years. The Associations's program has included participation in research trials, sponsoring of seminars and providing information to the trade and educating Japanese users on the advantage of using quality soybean meal. The total use of soybean meal in Japanese feeds has increased from four to six percent and a steady increase is expected in coming years.

10. Air Freight for Perishable Fruits and Vegetables Featured at London Trade Center -- The U. S. horticultural industry cooperated in a London Trade Center show in February, 1965 in which the principal attraction was air-freighted U. S. fruits and vegetables. Many of the principal importers and food buyers of the United Kingdom attended the show. This promotion combined with recent air freight rate reductions has created much interest in such highly perishable seasonable items as strawberries, asparagus and Chinese-type vegetables. In the first five months of 1965, exports of fresh strawberries to Europe increased to 850,000 pounds, up 300 percent from the same months in the previous year. Additional interest developed during the last half of the year as a result of shipments on American overseas airlines to the Brussels and Cologne fairs. Further rate reductions go into effect January 1, 1966 and this plus additional promotion should substantially expand these exports during the slack passenger travel season.
11. Feed Grain Exports at Record High -- U. S. feed grains, partly as a result of activities by the U. S. Feed Grains Council over the past five years, are now being exported at the rate of about \$100 million per month. Newcomers to the export feed business, like dehydrated and sun-cured alfalfa and feed additives, also continue to increase with each passing month.
12. Feed Grain Promotion in Italy -- Cooperator educational promotion programs in livestock feeding have helped bring about a dramatic increase in utilization of U. S. feed grains in Italy. U. S. exports of feed grains to Italy have increased from 1.1 million tons in FY 1963 to 2.0 million tons in FY 1965, or an increase from \$55 million to \$110 million over the past two years.
13. Increased Feed Grain Exports to Germany -- U. S. exports of feed grains to West Germany have increased from 1.1 million tons in FY 1963 to 1.6 million tons in FY 1965. By supplying technical assistance to livestock feeders and feed manufacturers on improvement of efficiency of feed utilization, the joint market development project has been an important factor in bringing about this increase.
14. Sorghums and Alfalfa Meal Exports to Japan Up Sharply -- U. S. exports of grain sorghums to Japan reached the million ton mark in 1965. Five years ago the exports were only 144,000 tons. At that time the Japanese had very pronounced

objections to grain sorghums, principally because of its low carotene content. The U. S. Feed Grains Council overcame this problem by demonstrating the advantages of sorghums and by convincing the Japanese to add alfalfa meal, a product rich in carotene, to their feed rations. In this parallel development the exports of U. S. alfalfa meal have increased from zero to nearly 200,000 tons per year.

15. First Exports of Hard Red Spring Wheat to Japan -- Negotiations initiated by cooperators and the Department under the market development program brought about a reduction of westbound rail freight rates from wheat-producing areas in Montana, North Dakota, and South Dakota and has enabled U. S. hard red spring wheat to be competitive in the Japanese market. Successful testing of a trial shipment preceded the first commercial size exports in July. Exports since then have been running at the rate of about 13,500 metric tons per month. The successful introduction of U. S. hard red spring wheat into Japan enlarges the U. S. potential sales and gives Japan a second major source of supply for high quality spring wheat.
16. Durum Wheat Promoted in Japan -- Market testing of U. S. durum wheat in Japan in June, 1965 was highlighted by the presence of two U. S. durum industry technical experts. The promotional program is expected to result in cash imports during fiscal 1966 - the beginning of durum milling by Japanese mills. Consumption of macaroni and other pasta products is increasing in Japan.
17. Promotion Increases Rice Exports -- Rice exports, at a record 1.4 million metric tons in 1964-65, are expected to go even higher in 1965-66 with the U. S. probably becoming the world's second largest rice exporter, exceeded only by Thailand. Rice plays an important role in Food for Peace and in defense of South Viet Nam, but the big increases this past year have been in commercial sales. Promotions by the Rice Council for Market Development in England, South Africa and the continent of Europe have helped to bring these commercial sales about. In the Far East, Japan has become a major customer for Nato rice - a medium grain type grown in the South - as a result of intensive promotion by the industry and the agricultural attache in Tokyo.
18. Peas and Lentils Promoted in Japan -- Exports of U. S. peas to Japan have increased sharply although the total is still small, about 10,000 tons in the current marketing year ending July 31. Industry representatives are optimistic about the growth potential of this new market for U. S. pea and lentil producers. The promotional activities started this year with an industry-government exhibit of peas and lentils in a booth in the Washington State Pavilion at the 1965 Tokyo Fair. Working out from the Fair, industry-government representatives contacted Japanese importers and processors

of peas and lentils. They found possible outlets in canning, in soups and in paste manufacture. They plan to return to Japan and follow up especially on the soup and the canning outlets.

19. Exports of Breeding Cattle Increasing -- Indications are that 1965 exports of both beef and dairy breeding cattle will be at an all-time high as a result of cooperative market promotion by FAS and the livestock breed associations.

An outstanding example of this is the cooperative project of the Holstein-Friesian Association and FAS in Italy. The market development project started in 1959 with an exhibit at the Cremona Fair. Interest developed in U. S. Holsteins despite Italian regulations which at that time practically prohibited such imports. The Association's representatives made visits to Italian firms and in 1960 and again in 1964 Italian officials were brought to the U. S. to visit with Government officials and Holstein breeders. As a result of these activities, the Italian import regulations were relaxed in 1964 and large scale exports of Holstein cattle began. Between June, 1964 and November, 1965, more than 5,300 U. S. Holsteins were exported to Italy. This compares with 17 head in 1963; 37 in 1962 and only 4 in 1961.

20. Exports of Variety Meats Increasing -- Variety meats (livers, tongues, hearts, kidneys, sweet breads) now constitute the most valuable U. S. non-processed meat exports, totaling a value of about \$50 million per year.

Although down two percent in volume for the first half of 1965 compared with the record shipments in the first half of 1964, value was \$2.6 million greater because of higher prices.

Promotion of U. S. variety meats was initiated in November, 1963 at the U. S. Food and Agricultural Exhibition in Amsterdam. Similar displays of these products have been held in West Germany, France and the U. K. with the most recent being a variety meat exhibition and seminar at the U. S. Trade Center in London, September 27-30, 1965. British importers of variety meats who brought none of these products a decade ago, now get 20 percent of their imports from the U. S.

21. Hides and Skins Promotion -- During FY 1965, U. S. exports of hides and skins totaled 18.2 million pieces valued at \$101 million as compared with only 15.4 million pieces valued at \$82 million in the previous year. Cooperative market development promotion activities were a major in bringing about this increase. Exports and displays of U. S. leather were held during fiscal 1964 in Paris, Berlin, Milan, and Madrid. Japan, however, continued to be the primary market for U. S. hides and skins taking 4.1 million pieces valued at \$25 million during FY 1965.

22. Animal Fats Promotion -- A joint program to further exports of U. S. animal fats and proteins in Europe and Japan has played a prime role in expanding animal fat exports to an all time high in fiscal year 1965 of 2.3 billion pounds valued at \$195 million, up \$43 million from the previous year when 2.2 billion pounds moved into export. The exports to Japan during FY 1965 totaled 390 million pounds as compared to 329 million in FY 1964 and 266 million in FY 1963. The value of the FY 1965 inedible tallow exports to Japan totaled 30 million dollars; hog grease accounted for another 6 million dollars.
23. "Trade Only" Areas Producing Results at Trade Fairs -- A market development device to help increase business with food traders abroad was inaugurated by the Department of Agriculture at the 1965 Cologne and Brussels fairs. In addition to the regular exhibits, areas were set aside exclusively for trade use to give representatives of U. S. firms an opportunity to meet and talk business with their customers.

On the basis of 35 percent of exhibitors reporting at Cologne and 44 percent at Brussels, sales and projected sales amounted to \$4,126,000. A total of 129 American companies were represented at these shows and 2,640 foreign tradesmen and representatives were registered.

24. In-store Promotions Increasing Sales in U. K. -- The U. S. Trade Center in London has been operating a highly successful series of in-store promotions of U. S. food and agricultural products. Fortnight promotions of "American Fine Foods" have been conducted in some 4,000 retail outlets. The Trade Center joins with importers of American food products, and with British food chains, in using special promotion techniques to introduce and sell American food products.

For example, 11 Selfridge and Lewis Department Stores, all with large food departments, carried on such a fortnight promotion last spring. Sales of American products amounted to \$50,000 for this period, as compared to \$30,000 for the previous two weeks. More important was the fact that new American food lines were brought into these important retail outlets. The chain bought from 25 U. S. food companies, as compared to 10 before the in-store promotion began.

B. Financing: Funds obligated for market development projects by the Foreign Agricultural Service since the beginning of the program and dollar values contributed by the cooperators are summarized by fiscal year as follows:

<u>Fiscal</u> <u>Year</u>		By USDA (Thousands of	By Cooperators Dollars and Dollar Equivalents)	<u>Total</u>
1956 thru 1961	SFCA	\$37,085	\$16,569	\$53,654
1962	SFCA	4,353	6,701	18,797
	S&E	8,170		
	"	(-) 427		
1963	SFCA	2,326	7,465	20,658
	"	(-) 1,335		
	S&E	12,464		
	"	(-) 262		
1964	SFCA	2,392	7,641	22,421
	"	(-) 848		
	S&E	13,330		
	"	(-) 94		
1965	SFCA	960	6,617	20,327
	"	(-) 375		
	S&E	13,152		
	"	(-) 27		
1966	SFCA	900 (est.)	7,500 (est.)	23,302
	"	14,902 (est.)		
1967	SFCA	1,000 (est.)	Not available	
	S&E	14,762 (est.)		

NOTES: SFCA - Market development under the Special Foreign Currency Appropriation.
 S&E - Market development under the Salaries and Expenses Appropriation.
 Minus sign represents recoveries of obligations and/or reimbursements.

The following Table 1 shows actual obligations from the beginning of the program through fiscal year 1965 and estimated obligations for fiscal years 1966 and 1967 by appropriation and by country. The program under the Special Foreign Currency Appropriation will be financed in 1966 and 1967 from unobligated balances carried forward from 1965.

Table 1. Obligations for Market Development Projects Under Section 104(a) of Public Law 480 and Related Activities Under Sections 104(f) and (m).

Country	Actual Obligations from Beginning of Program thru FY 1965	Dollar equivalent: of foreign currencies and Special Foreign Currency Appropriation	Estimated Obligations FY 1966			Estimated Obligations FY 1967		
			Salaries and Expenses Appropriation	Salaries and Expenses	Special Foreign Currency	Salaries and Expenses	Special Foreign Currency	Appropriation
Afghanistan	--	\$7,875	--	\$35,000	--	--	--	--
Argentina	--	240,656	--	--	--	\$5,000	--	--
Australia	\$64,136	4,121	--	--	--	--	--	--
Austria	398,182	998,272	--	320,000	--	155,000	--	--
Belgium	3,208,913	467,965	--	1,133,000	--	1,733,000	--	--
Brazil	458,715	870,028	--	137,000	--	190,000	--	--
Canada	352,967	--	--	130,000	--	--	--	--
Ceylon	--	105,423	--	--	--	--	--	--
Chile	254,182	299,011	--	45,000	--	145,000	--	--
China(Taiwan)	175,000	--	--	210,000	--	65,000	--	--
Colombia	749,667	1,264,318	--	265,000	--	115,000	--	--
Congo, Rep. of	--	--	--	5,000	--	--	--	--
Costa Rica	--	4,894	--	25,000	--	--	--	--
Denmark	715,256	192,899	--	313,000	--	195,000	--	--
Ecuador	30,000	248,722	--	35,000	--	5,000	--	--
El Salvador	--	2,855	--	--	--	--	--	--
Finland	188,000	397,127	--	118,000	--	--	--	--
France	1,723,550	4,260,632	--	495,000	--	630,000	--	--
Germany, West	6,156,339	2,734,129	--	1,891,000	--	2,127,000	--	--
Ghana	13,353	32,853	--	--	--	--	--	--
Greece	264,318	1,378,551	--	273,000	--	165,000	--	--
Guatemala	30,000	56,493	--	--	--	5,000	--	--
Honduras	--	1,756	--	--	--	--	--	--
Hong Kong	497,000	32,659	--	177,000	--	52,000	--	--
Indonesia	--	277,205	--	17,000	--	45,000	--	--

Country	Actual Obligations from Beginning of Program thru FY 1965	: Salaries and Expenses : Appropriation	Dollar equivalent of foreign currencies and Special Foreign Currency Appropriation	: Expenses and Salaries : and	Estimated Obligations FY 1966	: Special Foreign Currency : Appropriation	: Expenses and Salaries : and	Estimated Obligations FY 1967	: Special Foreign Currency : Appropriation
Iran	\$352,579	\$195,851	\$80,000	\$10,000	--	--	--	--	--
Ireland	1,170	19,937	--	--	--	--	--	--	--
Italy	4,659,831	3,588,141	685,000	541,000	--	--	--	--	--
Jamaica	--	64,275	--	--	--	--	--	--	--
Japan	5,585,803	5,576,276	2,877,000	1,802,000	--	--	--	--	--
Korea	7,367	129,813	65,000	55,000	--	--	--	--	--
Lebanon	153,432	4	105,000	53,000	--	--	--	--	--
Liberia	10,000	--	30,000	--	--	--	--	--	--
Luxembourg	33,947	--	--	--	--	--	--	--	--
Malaysia	81,992	90,612	15,000	5,000	--	--	--	--	--
Mexico	90,190	492,138	110,000	75,000	--	--	--	--	--
Morocco	164,548	--	2,000	90,000	--	--	--	--	--
Netherlands	5,338,219	1,110,289	1,167,000	502,000	--	--	--	--	--
Nicaragua	--	1,878	--	--	--	--	--	--	--
Nigeria	132,674	56,575	280,000	--	--	--	--	--	--
Norway	242,990	171,349	73,000	--	--	--	--	--	--
Panama	171,907	7,195	--	--	--	--	--	--	--
Peru	745,298	952,130	575,000	80,000	--	--	--	--	--
Philippines	340,267	495,670	51,000	40,000	--	--	--	--	--
Portugal	76,997	279,288	20,000	52,000	--	--	--	--	--
So. Africa, Rep. of ..	370,000	19,857	25,000	80,000	--	--	--	--	--
Spain	1,520,276	2,687,848	239,000	315,000	--	--	--	--	--
Sudan	--	8,922	--	432,000	--	--	--	--	--
Sweden	747,396	313,770	201,000	152,000	--	--	--	--	--
Switzerland	3,076,510	1,119,067	525,000	1,806,000	--	--	--	--	--
Syrian Arab Rep.	--	50,000	30,000	5,000	--	--	--	--	--
Thailand	299,690	1,085,083	50,000	117,000	--	--	--	--	--
Tunisia	60,000	--	--	--	--	--	--	--	--

Country	Actual Obligations from		Estimated Obligations		Estimated Obligations	
	Beginning of Program	thru FY 1965	thru FY 1965	FY 1966	FY 1967	
	Salaries and Expenses	Dollar equivalent of foreign currencies and Special Foreign Currency Appropriation	Salaries and Expenses	Appropriation	Appropriation	Special Foreign Currency
Turkey	\$466,039	\$666,246	\$55,000	--	\$49,000	--
United Kingdom	3,625,499	1,394,772	1,135,000	--	2,341,000	--
United States	2,386,758	--	428,000	--	421,000	--
Uruguay	10,534	37,850	25,000	--	42,000	--
Venezuela	275,174	219,258	430,000	--	65,000	--
Sub-total	46,306,665	34,712,538	14,902,000	--	14,762,000	--
Currencies determined to be excess to normal U.S. requirements in fiscal year 1967.						
Burma	--	\$299,621	--	\$45,000	--	\$25,000
Ceylon	--	--	--	25,000	--	--
India	--	3,631,266	--	221,000	--	207,000
Israel	--	1,160,553	--	223,000	--	162,000
Pakistan	--	2,254,163	--	178,000	--	206,000
Poland	--	584,038	--	75,000	--	100,000
U.A.R.-Egypt	--	1,104,805	--	68,000	--	95,000
Yugoslavia	--	812,809	--	65,000	--	205,000
Sub-total	--	9,847,255	--	900,000	--	1,000,000
total 104(a)	46,306,665	44,559,793	14,902,000	900,000	14,762,000	1,000,000
total 104(f)	--	109,767	--	--	--	--
total 104(m)	--	1,825,222	--	--	--	--
Grand total	46,306,665	46,494,782	14,902,000	900,000	14,762,000	1,000,000

a/ From unobligated balances carried forward from 1965.
b/ From unobligated balances carried forward from 1966.

Table 2. Obligations by Commodities and Miscellaneous Projects and Contributions by Cooperators from the Beginning of the Market Development Program through June 30, 1965.

(stated in approximate dollar equivalent and dollars)

(Rounded to dollars)

Commodity or Project	Contributions			
	Foreign			
	Agricultural:	U. S.	Cooperators:	Total
	Service Obligations:	Cooperators:	or Other :	
Cotton	\$15,203,400	\$3,068,160	\$11,000,567	\$29,272,127
Dairy and Poultry	6,599,092	3,056,389	17,875	9,673,356
Fats and Oils	11,770,974	5,681,716	680,520	18,133,210
Fruits and Vegetables	5,830,120	5,825,252	3,550	11,658,922
Grain and Feed	19,526,854	8,187,796	458,992	28,173,642
Livestock and Meat	2,687,487	1,311,804	542,108	4,541,399
Tobacco	4,379,540	2,985,909	2,173,176	9,538,625
Trade Fairs	13,497,091	--	--	13,497,091
Other Projects and				
Surveys	3,958,499	--	--	3,958,499
Post Operating				
Expenses	7,413,401	--	--	7,413,401
Total 104(a)	90,866,458	30,117,026	14,876,788	135,860,272
Total 104(f)	109,767	--	--	109,767
Total 104(m)	1,825,222	--	--	1,825,222
Grand Total	92,801,447	30,117,026	14,876,788	137,795,261

Summary of Foreign Agricultural Service Obligations

Salaries and Expenses	\$46,306,665
Special Foreign	
Currency Appropriation	44,559,793
Total 104(f)	109,767
Total 104(m)	1,825,222
Grand Total	92,801,447

C. Sale of Commodities for Foreign Currencies Under Title I of Public Law 480.

1. Total Program Agreements. Since the inception of the program through June 30, 1965, a total of 420 agreements, or supplements to agreements, were entered into with 50 friendly governments. Their total value based on costs to the Commodity Credit Corporation is estimated at \$13,818.2 million with an export market value of \$9,436.1 million, both exclusive of ocean transportation costs of \$1,175.6 million to be financed by CCC. CCC is reimbursed for its costs by appropriation. P.L. 480 provides a cumulative dollar limit of \$18.45 billion to reimburse CCC Title I transactions through December 31, 1966. The commodity composition of the agreements signed July 1, 1954, through June 30, 1965, at export market value and CCC costs, is summarized in the following tabulation.

From inception through June 30, 1965

Commodity	: Unit :	: Approximate :	: Export :	: Estimated :
	: :	: Quantity :	: Market :	: CCC Cost :
	: :	: Thousands :	: Millions :	: Millions :
Wheat/wheat flour	: Bu. :	3,200,914	: 5,372.3	: 8,558.0
Feedgrains	: Bu. :	453,321	: 542.1	: 653.5
Rice	: Cwt.:	99,899	: 576.5	: 940.6
Cotton	: Bales:	12,499	: 1,336.6	: 1,984.5
Cotton Linters	: Bales:	7	: .3	: .3
Meat Products	: Lbs.:	153,538	: 52.7	: 52.7
Tobacco	: Lbs.:	447,343	: 324.8	: 324.8
Dairy products	: Lbs.:	712,447	: 142.8	: 208.7
Fats and Oils	: Lbs.:	8,189,180	: 1,048.2	: 1,054.8
Poultry	: Lbs.:	38,156	: 11.5	: 12.0
Dry edible beans	: :			
and peas	: Cwt.:	1,353	: 10.1	: 10.1
Fruits and vegetables	: Lbs.:	199,317	: 17.8	: 17.8
Seeds	: :	10	: .4	: .4
Total Commodities			: 9,436.1	: 13,818.2
Ocean Transportation			: 1,175.6	: 1,175.6
Total Including Ocean Transportation			: 10,611.7	: 14,993.8

2. Shipments. About \$8,852 million worth or approximately 58% of these Title I commodities at export market value had been shipped as of June 30, 1965. About \$1,126 million of this amount represented shipments during the fiscal year 1965. Shipments for the fiscal year 1965 increased about 1% over those in the fiscal year 1964.

The value of Title I shipments represented about 17% of the total value of U. S. agricultural exports during the fiscal year 1965. In terms of export market value, Title I wheat comprised about 62% of total wheat exports during the fiscal year 1965: rice 28% and cottonseed oil and soybean oil 33%.

Shipments of wheat under Title I amounted to 492 million bushels in the fiscal year 1965. This was approximately 22% more than in the fiscal year 1964 and was a record shipment under Title I Public Law 480.

3. Progress in Negotiating Agreements. During the fiscal year 1965, 28 agreements and amendments were entered into with 19 countries. The programing continued to be marked by a hardening of Public Law 480 programs in general which resulted in (1) a continued shift from foreign currency sales under Title I to long-term credit under Title IV or to cash dollar sales wherever possible, (2) maintenance of Title I grants at a minimum level, (3) negotiation of deposit rates for local currencies under Title I agreements to insure that they will be not less favorable than the highest of exchange rates legally obtainable from the foreign government or its agencies, (4) an increase in the proportion of local currencies established for uses of U. S. Government agencies, and (5) continued strengthening of Title I operating procedures.

Title I program was successfully developed and signed for the first time with Afghanistan during the fiscal year 1965.

4. Progress in Tightening Program Operations. Verification of arrival information has made excellent progress with agreements now specifically requiring the importing countries to provide detailed arrival data which is forwarded via quarterly field reports and differences reconciled. A Compliance Section has been established; functions have been identified, described in writing and assigned to specific individuals. Instructions have been issued to the field which provide for constant assessment of the foreign government's capability to receive, store and distribute P. L. 480 commodities. Guidelines for independent verification and monitorship of P. L. 480 overseas activities have been issued to all attaches and designated officers.

Improvements have been introduced into the procedures and policies covering the issuance of purchase authorizations. For example, at the time of request for purchase authorizations the importing country's need for the requested commodities, its ability to receive and utilize them during the requested delivery period is again evaluated. Liaison has been strengthened with the interested commodity offices of both FAS and ASCS in the review of commodity positioning, port facilities, and the availability of ocean carriers. This has resulted in improved programing under P. L. 480 agreements.

The first of three automatic data processing programs has now been adapted to replace records formally kept by statistical clerks. Through this program, weekly summary tables of shipments showing all vessels and bills of lading have been made available to all countries having Title I or Title IV agreements. Two additional data processing programs have been initiated and are expected to be in operation early in the fiscal year 1966. Installation of these programs will eliminate many of the statistical records now required to assure compliance.

GENERAL SALES MANAGER

1. Competitive-Bid Export Program

Extra Long Staple Cotton -- On August 19, 1964 CCC announced the terms and conditions for a Competitive-Bid Export Program on domestically produced Extra Long Staple Cotton which it had acquired under price support operations. Sales have been made on a bi-monthly basis at competitive world prices and have been conducted in such manner as to avoid disrupting world markets.

A determination made in November 1964 by the Secretary in accordance with P.L. 88-638 showed the surplus supply of such cotton to be 165,700 bales of which 133,000 bales were in CCC inventory. Sales made through June 30, 1965 amounted to 32,447 bales. The average sale price has been about \$200 per bale. The total sale value for the sales during the period approximated \$6,500,000. Since U. S. exports of domestically grown ELS Cotton have historically been small, due primarily to domestic prices being significantly above world prices, sales under this program represents new export business for the United States.

Peanuts -- Exports of peanuts under competitive bid sales in Fiscal 1964-65 reached a new high of 141.5 million pounds, compared to 84 million pounds of the previous year, and 27.5 million pounds of 2 years ago. Foreign market promotion of available stocks of high quality edible U. S. peanuts at competitive prices, together with a growing European demand for edible peanuts, has brought about the increase.

Grain Sorghums -- In the latter part of 1963 the Department of Agriculture requested the appropriate railroads through the Transcontinental Freight Bureau for a rail freight rate of 70 cents per cwt. on corn from points west of the Missouri River to the West Coast. This application was rejected by the Bureau Executive Committee but several of the Western rail lines, namely: Union Pacific, Southern Pacific, Western Pacific and the Denver and Rio Grande Western, approved the 70 cent rate proposal. In August 1964, CCC milo stored in West Texas was made available for export out of California ports. The pricing policy established at that time was 10-1/2 cents per cwt. over the Gulf price. Approximately 9,850,568 bushels of grain sorghums were sold into the Japanese market as this pricing policy, considering the reduced freight rate to the West Coast, made grain sorghums competitive with the Gulf. In January 1965, the delivered California price increased from 10-1/2 cents over the Gulf price to 15 cents by reason of Southern railroads reducing their overland charges to the Gulf ports by 4-1/2 cents per cwt. This equalization of the freight rate to the Gulf removed the price advantage enjoyed by the West Coast but presently CCC-stored grain sorghums on the West Coast are available for export at a price competitive with the Gulf due to the favorable ocean freight differential West Coast to Japan versus Gulf to Japan.

2. Payment-in-Kind Export Program

Rice. Under the payment-in-kind export program, dollar exports in FY 65 of rice are expected to reach a new high of 17.9 million cwt., exceeding the previous years record by about 1 million cwt. Since total exports are expected to continue at about the same level, increased dollar exports have permitted a reduction in P. L. 480 exports financed by CCC. Export payments averaged \$2.17 per cwt. in FY 65 the same as in the previous year. As a result of these programs only small quantities of rough rice were acquired by CCC under the price support program.

Flaxseed. During the first four months FY 65 CCC sold for export from its stocks 3.7 million bushels of flaxseed. In April 1965 CCC implemented a payment-in-kind export program on flaxseed and linseed oil from private stocks. Export sales have been registered under the program totalling about 2 million bushels of flaxseed at an average payment rate of 14 cents per bushel and about 24 million pounds of linseed oil at an average payment rate of 1.2 cents per pound. The program started too late to have much effect on CCC acquisitions of flaxseed under the price support program of slightly over 4 million bushels in the Northwest, but did forestall CCC acquisitions in Texas and other areas.

Nonfat Dry Milk. During the fiscal year, July 1, 1964 to June 30, 1965, offers to export 238,710,108 pounds of milk were accepted under three export programs. They are as follows:

- (1) SM-8, Special Nonfat Dry Milk Export Payment-in-Kind Rates-by-Contract Program-Terms and Conditions, began August 4, 1964 and was terminated on December 18, 1964. Under this program, exporters submitted offers to export from commercial sources within 90 days and the exporter named the quantity to be exported along with the subsidy rate at which he was willing to make such export. Offers could either be accepted or rejected under this program by G.M. There were 9,357,800 pounds of milk accepted.
- (2) SM-8 (Revision 1), Special Dairy Products Export Payment Rates-by-Contract Program-Terms and Conditions, became effective on December 12 and was terminated May 25, 1965. This program was operated on the same basis as SM-8, but included other dairy products in addition to milk. There were 42,939,826 pounds accepted under this program.
- (3) SM-7 (Revision 1), Dairy Products Export Payment-in-Kind Program, regulations were filed in the Federal Register on May 21, 1965. Under this program, exporters offer to export a certain quantity at an export subsidy rate which is announced by CCC each week. These offers can be either accepted or rejected. From May 26 (date first subsidy was announced) to June 30, 1965, offers to export 186,412,482 pounds have been accepted.

Butter. During the fiscal year, offers to export 86,806,429 pounds of butter and other milkfat products were accepted under three programs. They are:

- (1) SM-7, Dairy Products Export Payment-in-Kind Programs. From July 2, 1964, until the termination of the program on November 23, 1964, there were 157 registrations of export sales totaling 80,655,216 pounds of butter and milkfat products. This total includes cancellations and amendments.
- (2) SM-8 (Revision 1), Special Dairy Products Export Payment Rates-by-Contract Program-Terms and Conditions. From the beginning of this program, December 12, 1964, to termination on May 25, 1965, CCC accepted offers to export 3,173,795 pounds of butter and milkfat products. This program was operated under the same regulations as that for milk.
- (3) SM-7 (Revision 1), Dairy Products Export Payment-in-Kind Program. From May 26 to June 30, 1965, offers to export 2,977,418 pounds of butter and milkfat products were accepted. This program is operated under the same regulations as that for milk.

3. Export Credit Program

Credit Sales. During fiscal year 1965 the CCC Export Credit Sales Program was revised to permit financing of commodities from privately-owned stocks. This development and other minor changes were incorporated in the revised regulations which supersede GSM-1 Revised and GSM-2 Revised. The new regulations were issued in February.

Exporters are now beginning to finance exports from private stocks. A total of \$5,646,725 of export commodity certificates have been reported issued as of July 16, 1965. Because of certain differentials between redemption and market prices and a general tightening of policy with regard to the length of the credit period approved, due principally to the U. S. balance of payments situation, export sales of commodities under the program dropped to \$95 million last fiscal year. This compares with \$118 million for the previous fiscal year but is still the second highest total on record. Principal commodities exported under the program during the past fiscal year were corn, cotton, grain sorghums, and wheat.

4. Concessional Sales

Catholic Relief Services. CCC authorized the sale of 62,500 bushels of No. 2 Hard Red Winter Wheat to the National Catholic Welfare Conference, a private charitable organization, at the reduced price of \$1.00 per bushel. The wheat was used for feeding needy pilgrims attending the 38th International Eucharistic Congress at Bombay, India. Individual mortars and pestles were used to grind the wheat into a crude meal which was then used in the preparation of unleavened bread known as chapatties; thus, commercial milling of flour was eliminated.

This is the first cash sale to this organization which has helped in the past to distribute donated surplus commodities to needy persons throughout the world.

Japan. The Japanese continued to buy large quantities of dairy products during 1964-65. They purchased 99,207,000 pounds of nonfat dry milk, at 8 cents per pound f.a.s., for the exclusive use of the Japan School Lunch Program Association. These sales have enabled the Japanese to supply over half of their school age children with high quality U.S. milk and are considered to be financially advantageous to Commodity Credit Corporation.

Brazil. The Government of Brazil entered into two contracts with CCC, for nonfat dry milk, during the year. The contracts call for delivery of 22,045,800 pounds at 4 cents per pound f.a.s., and must be used by the Brazilian Government in a school lunch program.

Italy. Amministrazione per le Allivite Assistenziali, Italiane E. Internazionali, an agency of the Italian Government, purchased 1,000 metric tons of Processed Cheddar Cheese at \$487.77 per metric ton from CCC during the year. The cheese will be used in the school lunch program and other programs for needy children in Italy. These dollar purchases are considered to be a direct outgrowth of previous donation programs under Public Law 480.

5. Expanding Dollar Exports Under Title IV, P.L. 480 Sales Agreements

Substantial progress has been made in the U. S. Department of Agriculture's efforts to expand or maintain dollar exports of U. S. agricultural commodities through financing the export of such commodities under the long-term supply, dollar credit terms authorized by the provisions of Title IV, P.L. 480.

The first Title IV agreements with governments of friendly nations were signed in FY 62. The total export market value of commodities and applicable ocean transportation costs included in the agreements signed in FY 62 was \$56.7 million. The corresponding figure in FY 63 was \$87.2 million, in FY 64 was \$118.1 million, and in FY 65 was \$209.6 million. Total Title IV commitments for agreements signed from the beginning of the program through June 30, 1965, by commodities, are as follows:

Commodity	Unit	Approximate Quantity	Export Market Value	Estimated CCC Cost
		(000)	(Millions)	(Millions)
Wheat, wheat flour and bulgur wheat	M/T	2,856	\$191.1	\$253.2
Feed grains and products	M/T	664	37.1	36.6
Rice	M/T	242	34.1	50.0
Cotton	Bale	605	77.9	144.1
Oilseeds and vegetable oils	Lbs.	552,609	40.9	40.8
Dairy products	Lbs.	16,810	3.3	5.7
Tobacco and tobacco products	Lbs.	21,164	20.6	20.6
Tallow	Lbs.	136,685	12.0	12.0
Other commodities	--	--	10.0	11.0
Total Commodities			427.0	574.0
Ocean Transportation			44.7	46.1
Total Including Ocean Transportation			\$471.7	\$620.1

The export market value of the commodities (and applicable ocean transportation costs) actually exported under these agreements are as follows: FY 1962, \$19.4 million, FY 1963, \$60.0 million, FY 1964, \$47.7 million, and FY 1965 through May 31, 1965, \$139.5 million.

Progress in shifting the basis for P. L. 480 exports of surplus U. S. agricultural commodities from Title I foreign currency sales, or donations under Titles II and III of P. L. 480, to long-term dollar credit sales under Title IV was accelerated in fiscal year 1965. The Title IV sales authority has increasingly been used to effect this transition in the case of countries whose stage of economic development does not permit them to undertake cash or short-term dollar payment for all of their essential food and other agricultural commodity import requirements.

The shift-over of countries from Title I to Title IV, P. L. 480 was accelerated in FY 1965. Out of the total of \$210 million in market value (including applicable ocean transportation) of Title IV agreements signed in FY 1965, \$200 million represents a complete shift-over from Title I to Title IV or a phase-out from Title I only to a combination use of both Title I and Title IV.

The following shows the relative emphasis as between Title I and Title IV since the first Title IV agreement was signed in August, 1961:

Public Law 480 commitments 1/ to export U. S. farm commodities, under
Title I and Title IV, July 1, 1961 through June 30, 1965

	: Title I Sales :	Title IV :	:	:	:	:	:	:
Fiscal	: for Local :	Long-Term :	Total :	Percent of Total				
Year	: Currencies :	Dollar Sales :	Titles I & IV:	Title I-IV Total				
	(In millions of dollars) 2/ :			(Percent)				
1962	: 1,590.3 :	57.1 :	1,647.4 :	96.5	3.5	100.0		
1963	: 1,227.0 :	88.6 :	1,315.6 :	93.3	6.7	100.0		
1964	: 617.7 :	118.3 :	736.0 :	83.9	16.1	100.0		
1965	: 673.7 :	209.7 :	883.4 :	76.3	23.7	100.0		
Total	: 4,108.7 :	473.7 :	4,582.4 :	89.7	10.3	100.0		

1/ As used herein, "Commitments" refers to sales agreements under Title I and Title IV. In some instances, Title I and Title IV agreements provide for multi-year programing. Total commitments shown for each fiscal year do not necessarily correspond with actual shipments during the same period.

2/ Includes applicable ocean transportation costs financed for account of recipient government.

As shown in the above table, Title IV agreements signed each fiscal year as a percentage of the combined value of Title I and Title IV agreements signed increased from 3.5 percent in fiscal year 1962, the first year of Title IV operations, to nearly 24 percent in fiscal year 1965.

The private trade provisions of Title IV, P.L. 480 were implemented in the first quarter of fiscal year 1964 by the issuance of rules and regulations governing agricultural commodity credit sales agreements between Commodity Credit Corporation and U. S. and foreign private trade entities (28 F.R. 7285). The purpose of such private trade agreements is to stimulate and increase the sales of surplus agricultural commodities through long-term supply and the extension of credit. In fiscal year 1965, approximately forty applications for a total of \$370.0 million of commodities were reviewed. As a result of such review, 19 applications were rejected, withdrawn or reduced. Fourteen are in suspense awaiting further information from the applicants and at the close of the year, five applications for about \$70.0 million of commodities were in the final stages of negotiation, with execution of agreements and exportation of commodities anticipated early in fiscal year 1966.

In fiscal year 1965, two agreements were entered into for the financing of \$3.8 million of wheat for export to Iran; \$3.0 million is repayable to CCC in 14 annual installments with interest at 4-1/8% and \$0.8 million in 6 installments with 4% interest.

6. Price Review Under P. L. 480

The procedure for reviewing export sales prices prior to shipment and financing of commodities other than cotton and tobacco sold under P. L. 480 Titles I and IV was continued during fiscal year 1965 and resulted in reduction in financing of approximately \$285,000.

BARTER AND STOCKPILING

1. Increased Emphasis on Offshore Procurement Barters. FY 1965 was the first year since the inception of the barter program in which no new contracts for stockpile materials were negotiated. Contracts valued at \$137 million were entered into, all to exchange U. S. agricultural products for equipment, goods, and services produced or performed abroad for the Department of Defense or AID. The decrease from the \$170 million worth of business arranged in FY 1964 was due mainly to inability to negotiate any substantial new barter export obligations during the period from March to June, when the \$83 million uranium conversion/diamond barter project was expected to materialize.

Offshore procurement barters increased by 54% over their FY 1964 value. These transactions have the direct effect of cutting back the outflow of gold and dollars from the United States. Defense barter procurements, which included the first for military installations in the Far East (Japan), covered supplies and equipment ranging from lumber to electronic gear and a wide variety of services necessarily performed overseas, such as stevedoring, coal handling and distribution, and aircraft repair and modification. Procurements for AID were highlighted by a rapid expansion in the number of urgent transactions for delivery to Vietnam of such diverse items as cement, sugar, and urea, and, early in FY 1966, by announcement of the first barter procurement for India (nitrogenous fertilizer). The value of AID barters, at \$29.4 million, was more than double the FY 1964 total.

2. Barter Exports. On the agricultural export side, FY 1965 saw two highly significant developments: (1) the sharp increase in cotton moving under barter contracts, from 18% to 48% of the total value exported and (2) the first exports of surplus commodities from the free market via barter--soybean and cottonseed oils, which accounted for 20% of total exports in FY 1965. (The total value of all barter exports was down slightly from \$112 million in FY 1964 to \$109 million in FY 1965.)
3. Review of Barter Acquisition Methods. FY 1965 was notable also for the initiation in June of an interagency study of the competitive aspects of barter acquisitions of strategic materials for stockpiling. During the review, negotiation of new contracts for these materials was suspended. The study group's suggestions were incorporated into barter program procedures when barters for strategic materials were resumed in October 1965 to meet National Stockpile deficits and to accomplish the other barter objectives enumerated in the Executive Stockpile Committee's report approved by the President in September 1962.
4. Improvements in Operations. FY 1965 saw the following major accomplishments in barter administration:
 - a. Achievement of a firm understanding with AID on criteria and methods for approving and implementing barter procurements, and issuance by AID of covering instructions.

- b. Issuance of a revision of the Armed Services Procurement Regulations that incorporates barter procurement policies and procedures formerly covered in an "interim instruction" plus ad hoc discussions and exchanges of letters.
- c. Formulation and adoption of preprinted Offer/Contract forms for use on an important segment of offshore procurement barter.

(b) Salaries and Expenses (Special Foreign Currency Program)

NOTE: The Budget Estimates do not propose an appropriation for 1967. The amounts for 1966 and 1967 reflect the use of unobligated balances carried over from prior years.

PROJECT STATEMENT

	:	1965	:	1966 : (estimated)	:	Increase or Decrease	:	1967 : (estimated)
Market development projects:	:		:		:		:	
(sec. 104(a))	:		:		:		:	
Obligations	:	\$960,284	:	\$900,000	:	+\$100,000(1)	:	\$1,000,000
Unobligated balance	:		:		:		:	
start of year	:	-5,370,493	:	-4,784,931	:	+900,000	:	-3,884,931
Recoveries of prior year	:		:		:		:	
obligations	:	-374,722	:	--	:	--	:	--
Unobligated balance	:		:		:		:	
end of year	:	4,784,931	:	3,884,931	:	-1,000,000	:	2,884,931
Total appropriation	:	--	:	--	:	--	:	--

INCREASE

(1) An increase in obligations of foreign currency under Section 104(a) of \$100,000 in the activity "Market Development Projects."

The increase of \$100,000 in projects results from need of additional funding of Soybean projects in excess currency countries.

For a discussion of market development projects, including those financed from this appropriation, see the Status of Program under "Salaries and expenses."



INTERNATIONAL AGRICULTURAL DEVELOPMENT SERVICE

Purpose Statement

The International Agricultural Development Service was established pursuant to Secretary's memorandum 1541, Supplement 1, dated August 2, 1963, to coordinate and administer the Department's programs in foreign technical assistance and training. In planning and implementing such programs, the Service develops and maintains effective relationships with international and U. S. organizations.

Need for this Service, which is financed entirely by funds transferred from the Agency for International Development, results from increasing demands on the Department's resources coming largely from implementation of the Foreign Assistance Act of 1961 as amended. The Act directs the Administrator of the Agency for International Development to utilize facilities and resources of agencies of the U. S. Government in conducting effective technical assistance programs abroad when such facilities are particularly or uniquely suitable. Need for this Service also stems from the Department's awareness that the well being and productive efficiency of developing nations is vital to a healthy American agriculture and world agricultural trade. Political and economic stability in a developing nation is intimately dependent on its agricultural development.

As the prime U. S. source of experience with respect to domestic and foreign on-the-farm production techniques and, equally important, the creation and operation of supporting rural institutions, the Department is uniquely equipped to meet the rapidly growing number of requests for technical support. The requests come from many sources and vary widely in scope and duration. They range from highly detailed scientific requests to calls for assistance in broad agricultural program planning and execution.

Available Funds and Man-Years
1965 and Estimated 1966 and 1967

	Actual 1965		Estimated Available 1966		Estimated Available 1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Transfers from Agency for International Development:						
Technical Consultation and Support.....	\$192,869	14	\$235,000	16	\$253,000	18
Training of foreign partici- pants.....	724,823	54	788,000	59	809,000	60
Special Projects.....	262,870	5	602,000	8	605,000	8
Subsistence for foreign trainees while in U. S.	7,262,242	- -	7,300,000	- -	7,300,000	- -
Total, International Agri- cultural Development Service:	8,442,804	73	8,925,000	83	8,967,000	86

All of the activities of the International Agricultural Development Service are financed by transfers from the Agency for International Development.

Explanation of the Work Performed by the
International Agricultural Development Service

In meeting the Department's responsibilities in filling requests for technical agricultural assistance from the Agency for International Development, other U. S. agencies, and international organizations, the International Agricultural Development Service performs the following functions:

1. Coordination.

a. Coordinates resources of the Department in planning, reviewing, evaluating and operating country or regional agricultural development projects for which the Department is given responsibility. Projects are implemented through Participating Agency Service Agreements (PASA) with the Agency for International Development.

b. Coordinates Department technicians on detail or loan to A.I.D., Food and Agriculture Organization and similar organizations through recruitment, control of assignments, and by developing operating agreements with such organizations.

2. Liaison.

Develops and maintains effective relationships with the Agency for International Development, Land-Grant Universities, and other public and private U.S. and International organizations to carry out effective agricultural technical assistance and training programs.

3. Training.

Plans and conducts training programs, in cooperation with Land-Grant Universities, organizations and private businesses. for foreign agricultural specialists sent to this country. This activity includes orienting and servicing foreign trainees during their training programs as well as analysis and evaluation to assure accomplishment of training objectives.

4. Leadership.

Provides leadership and direction in formulating current and long-range policies and plans to carry out technical assistance and agricultural development programs in developing countries and to make most effective use of the Department's manpower and facilities. It participates actively in foreign assistance planning and has the Department's responsibility for carrying out the specific agricultural phases of overall country or regional programs.

Funds Transferred from the Agency
for International Development

The 1967 Budget for the Agency for International Development contains funds for transfer to the Department of Agriculture to finance technical agricultural assistance services requested by A.I.D. in the amounts of \$15.3 million in 1966 and \$17.3 million in 1967. The distribution of these amounts is shown on the following table.

Agency and Project	Fiscal Year 1965,		Fiscal Year 1966,		Fiscal Year 1967,	
	Actual	Estimated	Actual	Estimated	Actual	Estimated
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Agricultural Research Service:</u>						
Training of foreign participants.....	\$289,536	20.3	\$282,500	16.5	\$287,300	16.5
Technical consultation.....	135,578	12.2	174,800	15.1	177,600	15.1
Special projects.....	1,367,913	51.2	1,492,300	55.8	1,227,000	55.1
Total, Agricultural Research Service.....	1,793,027	83.7	1,949,600	87.4	1,691,900	86.7
<u>Cooperative State Research Service:</u>						
Training of foreign participants.....	7,600	.6	8,300	.6	8,300	.6
<u>Extension Service:</u>						
Training of foreign participants.....	121,857	11.0	136,757	12.6	137,556	12.3
Technical consultation.....	28,691	2.2	31,209	2.2	31,577	2.2
Special projects.....	40,377	2.7	32,388	1.9	6,467	.2
Total, Extension Service.....	190,925	15.9	200,354	16.7	175,600	14.7
<u>Farmer Cooperative Service:</u>						
Training of foreign participants.....	16,115	1.8	23,500	2.0	24,100	2.0
Special projects.....	36,466	1.3	103,500	4.2	98,700	5.0
Total, Farmer Cooperative Service.....	52,581	3.1	127,000	6.2	122,800	7.0
<u>Soil Conservation Service:</u>						
Training of foreign participants.....	86,921	9.0	97,300	9.6	98,100	9.6
Technical consultation.....	13,985	.9	18,400	1.2	18,600	1.2
Special projects.....	335,725	18.0	634,400	31.8	657,600	35.2
Total, Soil Conservation Service.....	436,631	28.0	750,100	42.5	774,300	46.0

(continued on next page)

Agency and Project	Fiscal Year 1965,		Fiscal Year 1966,		Fiscal Year 1967,	
	Actual	Estimated	Actual	Estimated	Actual	Estimated
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>Economic Research Service:</u>						
Training of foreign partici-						
pants.....	55,612:	4.6:	66,200:	4.6:	73,800:	5.1
Technical consultation.....	94,894:	8.6:	119,800:	10.5:	119,800:	10.5
Special projects.....	503,411:	30.3:	711,900:	37.0:	946,900:	46.3
Total, Economic Research						
Service.....	653,917:	43.5:	897,900:	52.1:	1,140,500:	61.9
<u>Statistical Reporting Service:</u>						
Training of foreign partici-						
pants.....	79,065:	5.6:	78,000:	5.6:	78,800:	5.6
Technical consultation.....	16,844:	1.1:	17,300:	1.0:	17,400:	1.0
Total, Statistical Report-						
ing Service.....	95,909:	6.7:	95,300:	6.6:	96,200:	6.6
<u>Consumer and Marketing Service:</u>						
Training of foreign partici-						
pants.....	12,877:	1.2:	15,650:	1.3:	15,750:	1.3
Technical consultation.....	3,553:	.3:	3,900:	.3:	3,950:	.3
Special projects.....	46,846:	2.2:	60,116:	3.1:	68,900:	3.1
Total, Consumer and						
Marketing Service.....	63,276:	3.7:	79,666:	4.7:	88,600:	4.7
<u>Foreign Agricultural Service:</u>						
Training of foreign partici-						
pants.....	62,254:	9.8:	66,000:	10.0:	67,000:	10.0
Technical consultation.....	52,610:	7.4:	54,000:	7.0:	56,000:	7.0
Special projects.....	4,993:	.4:	25,000:	2.0:	25,000:	2.0
Total, Foreign Agricultural						
Service.....	119,857:	17.6:	145,000:	19.0:	148,000:	19.0

(continued on next page)

Agency and Project	Fiscal Year 1965,		Fiscal Year 1966,		Fiscal Year 1967,	
	Actual	Estimated	Actual	Estimated	Actual	Estimated
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
<u>International Agricultural</u>						
Development Service:						
Training of foreign partici-						
pants.....	724,823:	54.1:	788,000:	59.0:	809,000:	60.0
Technical consultation.....	192,869:	13.6:	235,000:	16.0:	253,000:	18.0
Special projects.....	262,870:	5.3:	602,000:	8.0:	605,000:	8.0
Subsistence for foreign						
trainees while in U.S.	7,262,242:	- -:	7,300,000:	- -:	7,300,000:	- -
Total, International						
Agricultural Development	8,442,804:	73.0:	8,925,000:	83.0:	8,967,000:	86.0
Service.....						
<u>Agricultural Stabilization</u>						
<u>and Conservice Service:</u>						
Special projects.....	59,800:	2.0:	144,200:	6.0:	140,000:	7.0
<u>Office of Information:</u>						
Training of foreign partici-						
pants.....	23,786:	2.5:	24,800:	2.5:	25,000:	2.5
Technical consultation.....	16,395:	1.1:	23,550:	2.0:	23,750:	2.0
Special projects.....	2,799:	- -:	- -:	- -:	- -:	- -
Total, Office of Informa-						
tion.....	42,980:	3.6:	48,350:	4.5:	48,750:	4.5
<u>National Agricultural Library:</u>						
Training of foreign partici-						
pants.....	7,945:	.5:	7,100:	.7:	7,100:	.7
Technical consultation.....	- -:	- -:	- -:	- -:	128,800:	13.0
Total, National Agricul-						
tural Library.....	7,945:	.5:	7,100:	.7:	135,900:	13.7
<u>Rural Electrification</u>						
<u>Administration:</u>						
Training of foreign partici-						
pants.....	17,650:	1.0:	19,450:	1.1:	19,610:	1.1
Technical consultation.....	5,503:	.3:	6,130:	.3:	6,190:	.3
Total, Rural Electrifi-						
cation Administration.....	23,153:	1.3:	25,580:	1.4:	25,800:	1.4

Agency and Project	Fiscal Year 1965,		Fiscal Year 1966,		Fiscal Year 1967,	
	Actual	Estimated	Actual	Estimated	Actual	Estimated
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Farmers Home Administration:						
Training of foreign participants	138,495:	10.2:	143,000:	10.2:	143,000:	10.2
Technical consultation	1,500:	.3:	7,000:	.7:	7,000:	.7
Special projects	155,647:	8.0:	424,000:	20.3:	424,000:	19.9
Total, Farmers Home Administration.	295,642:	18.5:	574,000:	31.2:	574,000:	30.8
Forest Service:						
Training of foreign participants	152,200:	13.1:	180,700:	15.0:	183,900:	15.0
Technical consultation	34,300:	3.1:	41,500:	3.3:	43,000:	3.3
Special projects	21,281:	1.0:	42,800:	2.6:	34,100:	2.0
Total, Forest Service	207,781:	17.2:	265,000:	20.9:	261,000:	20.3
Amounts to be allocated to agencies as additional requests for assistance are received from the Agency for International Development. Funds will be made available to agencies of the Department as specific AID projects are undertaken	- -	- -	1,056,000:	60.0:	2,904,000:	175.0
Total, United States Department of Agriculture	12,493,828:	318.8:	15,298,450:	443.6:	17,302,650:	585.9
Recapitulation:						
Training of foreign participants	1,796,736:	145.3:	1,937,257:	151.3:	1,978,316:	152.5
Technical consultation	596,722:	51.1:	732,589:	59.6:	886,667:	74.6
Special projects	2,838,128:	122.4:	4,272,604:	172.7:	4,233,667:	183.8
Subsistence for foreign trainees while in U.S.	7,262,242:	- -	7,300,000:	- -	7,300,000:	- -
Undistributed	- -	- -	1,056,000:	60.0:	2,904,000:	175.0
Total, United States Department of Agriculture	12,493,828:	318.8:	15,298,450:	443.6:	17,302,650:	585.9

COMMODITY EXCHANGE AUTHORITY

Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are: to prevent commodity price manipulation and market corners; curb unwarranted changes in price resulting from excessive speculation by large traders; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and other abusive practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; insure trust-fund treatment of margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by brokers; and provide information to the public regarding trading operations and contract markets.

The basic Act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839, approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958.

These functions carried out under the Act are performed through a Washington Office and five field offices, located in Chicago, Kansas City, Minneapolis, New Orleans, and New York.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available 1966		1967	
	:Man-		:Man-		:Man-	
	Amount	Years	Amount	Years	Amount	Years
Commodity Exchange	:	:	:	:	:	:
Authority	:	:	:	:	:	:
Salaries and expenses..	\$1,169,000:	119	\$1,197,000:	123	\$1,398,000:	144

Salaries and Expenses

Appropriation Act, 1966	\$1,169,000
Proposed supplemental, 1966, for increased pay costs	28,000
Base for 1967	1,197,000
Budget Estimate, 1967	1,398,000
Increase	<u>+201,000</u>

SUMMARY OF INCREASES

	<u>1966</u> <u>Available</u>	<u>Increases</u> <u>Pay Costs</u>	<u>Other</u>	<u>1967</u> <u>Estimate</u>
Expanding trade practice investigations and market analyses:				
Supervision of futures trading	\$637,100	+\$5,700	+\$43,300	\$686,100
Investigations	263,900	+2,300	+146,700	412,900
All other	296,000	+3,000	- -	299,000
Total	<u>1,197,000</u>	<u>+11,000</u>	<u>+190,000</u>	<u>1,398,000</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	Increases Increased Pay Costs (P.L. 89-301)	Other	1967 (estimated)
1. Licensing and auditing of brokerage houses :	\$319,683	\$296,000	\$+3,000	- -	\$299,000
2. Supervision of futures trading.. :	603,687	637,100	+5,700	+\$43,300	686,100
3. Investigations :	239,727	263,900	+2,300	+146,700	412,900
Unobligated balance	5,903	- -	- -	- -	- -
Total increased pay costs (P.L. 89-301)	(- -)	(28,380)	(+11,000)	(+6,000)	(45,380)
Total available or estimate	1,169,000	1,197,000	+11,000 (2)	+190,000 (1)	1,398,000

INCREASES

(1) An increase of \$190,000 for expanding trade practice investigations and market analyses.

Need for Increase: Trade practice investigations are the best means the Commodity Exchange Authority has of detecting various forms of noncompetitive trading on futures exchanges. These devices hamper open trading and interfere with the accuracy with which prices on such exchanges respond to basic supply-demand factors and thus make such prices erroneous indicators of demand and supply, and a less reliable criterion for producers,

merchandisers, and processors who rely on these prices in cash commodity transactions.

The importance of effective policing of trading on contract markets in detecting, prosecuting, and thus preventing abuses was recognized recently by the Department's Judicial Officer in CEA Docket No. 113. This decision stated that the respondent's offense (noncompetitive trading) was "serious in nature because competitive execution of trades is essential to the maintenance of a free and effective market." The decision in this case was sustained by the U.S. Court of Appeals for the Second Circuit.

In addition to the primary objective of assuring free and open competition in the markets and thus strengthening their price recording function, trade practice investigations protect individual market users. These investigations have proven to be an excellent means of detecting, cheating, fraud, and deceit by futures commission merchants and floor brokers in the handling and execution of customers' orders.

With the steadily rising market activity, trading volume reached a record level in fiscal year 1965. Since 1962, the number of transactions in regulated commodities increased 40 percent and the dollar value of trading more than 100 percent. The following table reflects the increase in trading volume during the past few years:

	<u>Fiscal Year</u> <u>1962</u>	<u>Fiscal Year</u> <u>1964</u>	<u>Fiscal Year</u> <u>1965</u>
Number of transactions for all regulated commodities	10.0 Million	12.8 Million	14.0 Million
Dollar value of community trading ...	\$36.7 billion	\$60.4 billion	\$73.5 billion

In order to effectively cover all areas of futures-market trading, and in view of the greatly increased trading volume, it becomes imperative that trade practice investigations be increased if the public interest is to be protected.

The General Accounting Office recently reviewed the work of the Commodity Exchange Authority. In its report that Office recommended that trade practice investigations be increased in number and frequency. However, additional funds will be needed to implement this recommendation.

The Commodity Exchange Authority also believes that it is necessary to increase the number and regularity of market surveys. The market survey is a profile of the market in action. It shows the utilization of the market and whether it is serving an economic purpose in the marketing of the commodity. It answers the question of how many hedgers are using the market, the extent of their usage and who the hedgers are, i.e., producers, shippers, processors, etc. From the information developed, the market survey discloses the amount and proportion of speculation and hedging in futures and the degree of speculation, from

which it can be determined whether such activity is primarily responsible for price behavior. Such information is valuable in considering needed legislation. In December 1964, in anticipation of hearings in Congress on bills to prohibit futures trading in potatoes, the agency conducted a survey of the potato futures market in order to have available for the Congress, the Department and the potato industry, the latest facts on the utilization and composition of the market. Prospective hearings on potatoes early in 1966 made it desirable to again survey that market at the end of October 1965 to obtain the most up-to-date information.

Because a market survey covers all accounts in a market, certain "fringe" benefits are derived. These assist the agency in its enforcement program at little expense. Such surveys uncover instances of persons and firms operating as futures commission merchants without being registered. They disclose omission or failures of futures commission merchants to make required reports on customers entering large-trader (reporting) status. The market survey also discloses instances of large traders seeking to avoid reporting or speculative-limit requirements by splitting accounts or positions among different brokers.

Plan of Work: Of the \$190,000 requested,

(a) An increase of \$43,300 for Supervision of futures trading would be used to employ 5 Marketing Specialists and Statistical Assistants who will be engaged in market surveys and analysis of market conditions based on such surveys.

Market surveys are census-like enumerations of all U.S. and foreign accounts participating in a futures market, such as soybeans, wheat, corn, or other regulated commodities. The basic data are obtained from a "call" made to futures commission merchants and exchange clearing members. The call requires them to report for every account on their books, in a specified commodity on a selected date, the trader's name, address, occupation, amount of his holdings by futures, and whether the holdings are speculative or hedging.

Six market surveys are planned for fiscal 1967, covering wheat on the Kansas City Board of Trade, wheat on the Chicago Board of Trade, soybeans, soybean oil and soybean meal on the Chicago Board of Trade and potatoes on the New York Merchantile Exchange. It is estimated that these surveys will cover from 20,000 to 150,000 futures contracts held by some 500 to 15,000 traders.

The data from these market surveys are machine processed and tabulated and classified in multiple combinations for analytical purposes. Summaries are prepared showing the total amount of speculation and hedging in the market, the distribution of traders by size groups and class, by occupational groupings and geographic locations -- in a word who is using the market and for what purpose.

The analysts will select the commodity and market and time of the survey. Their function is to plan the survey coverage, such as the size groups of traders' positions, the general occupational categories, and other type of comparisons. The statistical assistants will audit, code and reconcile the individual brokerage house reports, consolidate controlled accounts, and communicate with the reporting brokerage houses on questionable items.

Based on the survey results, the analysts will assess and evaluate the utilization of the market and significant trading groups operating in the market.

The purpose of the market survey will be to provide the agency with benchmark data to guide it in comprehensive analysis of market developments in a particular commodity. The survey information will be extended and combined with other market data, such as prices, production, distribution and available supplies and also used in conjunction with trading and positions of large and small traders based on the regular reporting system of the agency. This analysis will provide a well-rounded picture of economic conditions prevailing in the operation of the futures market. Reports will be prepared on the survey results for the use of the agency and for publication.

Market surveys and the analyses afforded by such data are essential tools of market supervision and regulatory action. Market surveys provide the agency with periodic data from season to season on the composition of a futures market. The data provided by the surveys forms the basis for administrative actions or recommendations in such matters as the size of speculative limits, improved recordkeeping, and better market surveillance techniques. The data also provides information which enables the agency to explain unusual market situations or take remedial action to prevent recurrences of abnormal and undesirable situations. Surveys will also be made to account for market utilization when there is a large and continued increase or decrease in open contracts, and when there are sharp price movements in the market. They are used to obtain needed futures market information when legislation on futures trading is pending or enacted, and to evaluate the role of futures trading in light of new farm programs and changes in such programs and price supports.

(b) An increase of \$146,700 for Investigations would be used to employ 6 investigators and 10 accountants to conduct trade practice investigations. Our plans call for the investigation of each of the active commodities every other year. In 1967 we plan to conduct a trade practice investigation of soybeans which is by far the largest of the markets under our supervision.

A trade practice investigation reconstructs each transaction as it occurred on the floor of the exchange during the selected period so as to trace the transactions from the buying customer, through the buying clearing member and floor broker, to the selling floor broker and clearing member, and finally to the selling customer. The ultimate objective is to analyze floor trading practices to ascertain whether any trade practices are in use which tend to reduce the effectiveness of the futures market as a price basing mechanism; which cheat, defraud or deceive customers; or which are otherwise violative of the Commodity Exchange Act or against the public interest.

The major steps involved in a trade practice investigation are as follows:

- (1) Obtain trading data from the clearing association or clearing firms. (In the case of the proposed soybean trade practice investigation, this will involve about 130 firms.)
- (2) Obtain from records of clearing firms information concerning the executing floor broker and the customer for each trade.
- (3) By use of automatic data processing match buy and sell transactions in order to reconstruct how they were entered into.
- (4) Make detailed examination of records of clearing members and floor brokers in order to match transactions which fail to match by machine.
- (5) Prepare data processing machine tabulations of the transaction data.
- (6) Make visual analyses of machine tabulations.
- (7) Examine the exchange, clearing member and floor broker records and interview floor brokers concerning questionable transactions which show up in the analyses.
- (8) Analyze results and determine whether further investigation is necessary regarding the conduct of specific brokers or regarding specific trade practices.
- (9) Conduct such further investigation as is necessary.

The accountants will be used to take off and reconcile the trading data. It has been found that employees trained in accounting are most effective in examining the records involved in conducting a trade practice investigation. The investigators will be used to plan and conduct the trade practice investigation, to supervise the work of the accountants, to analyze the data, to perform the required supplemental investigation and analysis, and to conduct any necessary further investigations which may lead to formal action against individual floor brokers.

(2) An increase of \$11,000 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. (An over-all explanation of increases for pay act costs is included in the Preface to these Explanatory Notes in Volume 1.)

STATUS OF PROGRAM

The major objectives of the Commodity Exchange Authority, in the enforcement of the Commodity Exchange Act, are to protect the pricing and hedging services of the commodity futures markets. These services are widely used by farmers, merchandisers, and processors. To carry out its enforcement objectives, the Commodity Exchange Authority works to maintain fair trading practices and competitive pricing on commodity exchanges, and to prevent price manipulation, cheating, fraud, and abusive acts and practices in commodity transactions.

Enforcement of the act includes supervision over 17 commodity exchanges designated as contract markets, more than 400 brokerage firms registered as futures commission merchants, and about 750 registered floor brokers operating on the exchanges. The enforcement work is a continuous process involving the following functions:

1. Market designation, broker registration, and prevention of misuse of customers' funds: (a) Designation of commodity exchanges as contract markets; (b) annual registration of futures commission merchants and floor brokers; (c) analysis of financial statements; (d) periodic audit and examination of books and records of futures commission merchants to insure the protection of customers' funds.
2. Supervision of futures trading: (a) Obtaining, auditing and tabulating reports on trading operations from large traders, futures commission merchants, and exchange clearing members; (b) surveillance and analysis of the market operations of large traders, commodity brokers, and others, including marketwide surveys of all traders' positions in selected commodities; (c) enforcement of speculative limits applicable to the daily trading and positions of large traders; (d) analysis and appraisal of futures-market situations and cash-commodity and futures-price development; and (e) preparation of futures-market statistics and special reports on futures-market developments.
3. Investigation and prosecution of violations: (a) Investigation of price manipulation and other alleged or apparent violations; (b) compilation and analysis of evidence to support charges of violations, and presentation of such evidence in administrative and judicial proceedings; (c) investigation of trade practices on exchanges; and (d) continuing examination of exchange rules to determine compliance with the act.

Current Activities: Current work projects of the Commodity Exchange Authority are helping to strengthen and extend the free market system of competitive pricing and distribution in agricultural commodities. Commodity Exchange Authority regulation is safeguarding the pricing and related public-use services of commodity markets at Chicago, Minneapolis, Kansas City and other exchange centers. Regulation of these markets protects both consumer and producer interests. Currently the largest trading and regulatory areas are in grains and soybeans, but the agency's work projects also include active futures markets in soybean oil, soybean meal, eggs, potatoes and wool.

Supervision of trading in the continuing large futures markets of the soybean complex -- soybeans, soybean oil and soybean meal -- is being strengthened by more intensified and constant market appraisal, and assesement of traders' operations. The further application of statutory speculative limits, now operating in 10 regulated commodities, is being studied. These limits prevent excessive speculation by the large corporate trader, as well as the individual speculator and speculative group. The Commodity Exchange Authority's work programs that regularly take agency accountants into commodity brokerage houses to protect the funds of the trading public are operating effectively. The agency is carrying on sustained and complicated market analysis work and investigations to uncover and support the prosecution of price manipulation. The Commodity Exchange Authority considers this investigation and compliance work to be of the highest importance for the future of competitive pricing in commodity markets.

With the current large trading volumes in leading futures markets, effective enforcement of the act is being maintained by concentrating the agency's available personnel and resources in the highest priority areas of market regulation. In key areas, management improvement projects have shortened procedures, saved time and increased efficiency. A high proportion of the year's trading volume (86 percent) was in commodities with speculative limits enforced by the Commodity Exchange Authority. The agency maintained the number of its investigations in fiscal 1965 at virtually the same peak level that it attained in fiscal 1964. Effective work in fiscal 1964 in investigating possible price manipulation, and supporting the prosecution of price manipulation charges, was continued in fiscal 1965. Vigorous prosecution of price manipulation helps to hold down new manipulative ventures in the markets.

The agency's resources are not adequate, however, in view of the greatly increased trading volume of the past few years, to cover effectively all areas of futures-market regulation contemplated under the Commodity Exchange Act. Areas in which there are serious work backlogs include trade practice investigations and market surveys.

Trading volume of 14 million transactions in fiscal year 1965 exceeded the record level of 12.8 million transactions in fiscal year 1964 in a sharp upward movement which brought trading to 40% over the fiscal year 1962 level. Similarly, the estimated dollar value of commodity trading for all regulated commodities has increased almost steadily from \$36.7 billion in fiscal year 1962 to \$73.5 billion in fiscal year 1965, an increase of over 100% in that period. This increase places commodity trading at a level nearly equal to that of stock market trading.

Very active trading in leading markets is continuing. In wheat futures, the trading lull after the very large market at the peak of the 1964 harvesting season was followed by another build-up in open contracts and hedging as the 1965 marketing season developed. The large corn futures markets of the past few years are continuing. So huge was the soybean trading volume in fiscal 1965 that it exceeded the volume five years earlier in all regulated commodities combined. Recent futures markets in soybean oil, soybean meal and potatoes have been of record or near-record size.

Selected Examples of Recent Progress:

Futures Trading:

1. Trading Regulation Highlights. In addition to maintaining regular surveillance and analysis of trading on all contract markets, the agency dealt with recurrent market situations in fiscal 1965 which required extra regulatory work. Such extra work was done in the maturity period of the 1964 July soybean future, in view of the tight supply situation, the large-scale trading of certain firms, and tension in the soybean price structure. Tight market situations in soybeans -- our largest dollar-producing farm commodity in the export field -- involve not only soybean futures, but also the underlying forces reflected in the continuing large futures markets for the product commodities -- soybean oil and soybean meal. Thus, in the liquidation of the 1964 October soybean oil and soybean meal futures, the agency did extra analysis and investigation work. The purpose was to forestall the possibility of concentration and erratic price fluctuations in these commodities. Such extra work in the futures markets of the soybean complex continued during the winter of 1964-65. This work contributed to maintain orderly trading and pricing in the maturity periods of the 1965 March and May futures in soybeans, soybean oil and soybean meal. There were other tight or unusual market situations in fiscal 1965 which involved intensified trading and market analysis, investigations or special work with the executive heads of business conduct committees of exchanges. These included the 1964 October shell egg future, the 1965 April and May potato futures, the 1964 December wheat future at Kansas City, the 1965 March wheat future at Minneapolis, and the 1965 May wheat future at Chicago.
2. Speculative Limits Enforced. In the 1965 fiscal year the agency dealt with 37 instances of traders and firms that exceeded the speculative limits established by the Commodity Exchange Commission. This compared with 24 such instances in the previous fiscal year. In fiscal 1965 the situations in which traders and firms exceeded speculative limits on futures positions numbered 25: soybeans 11, potatoes 10, corn 3 and rye 1. Speculative limits on daily trading were exceeded in 12 instances: potatoes 7, soybeans 5. As these figures indicate, most of the infractions of speculative limits in fiscal 1965 were in the highly active soybean futures market, and in potato futures to which speculative limits were first applied during the year. In other commodities there were only four instances of traders exceeding the speculative limits during the year. The enforcement of the limits was of continuing importance in the 1965 fiscal year in view of the increased number of large speculators operating in the year's huge soybean futures market, and the very considerable number in several other commodities. One indication of the need for speculative limits in potatoes was the fact that some large speculators were operating on a considerably larger scale before the limits became effective than was permissible afterward.
3. Speculative Limits on Potatoes. The Department's services to the potato industry were strengthened during the year by the establishment and enforcement of speculative limits applicable to futures trading in

Maine potatoes on the New York Mercantile Exchange. The establishment of speculative limits is a function of the Commodity Exchange Commission based on study and analysis by the Commodity Exchange Authority and recommendations to the Secretary of Agriculture. To provide a sound basis for recommendations to the Commission, the agency did more than one man year's work in the analysis of data and the preparation of evidence showing the need for speculative limits in the commodity. After the agency's recommendations for limits were adopted by order of the Commission, effective November 27, 1964, much additional work was required to provide the trade and industry with information and instructions, and set up reporting requirements and enforcement procedures to make the limits effective.

Putting these limits in effect was very timely, because they became applicable near the beginning of the marketing season for 1964-crop fall potatoes which was a critical one. The limited production of fall potatoes in 1964, and the sharply rising level of prices, multiplied price risks in the potato marketing. This resulted in a record amount of hedging in futures by the potato industry for price protection -- and also a record volume of speculative trading. In this situation, the employment of speculative limits and other regulatory resources of the agency were fully needed to prevent disorderly trading and pricing in the market.

4. Market-Wide Surveys in Wheat and Potatoes. The agency made market-wide surveys in fiscal 1965 in two leading commodity markets. One was in the wheat futures market on the Chicago Board of Trade and the other in the market for Maine potatoes on the New York Mercantile Exchange. These surveys are made to furnish detailed data on all traders' accounts in large or sensitive markets, or to provide additional information and guidance on unusual market behavior indicating possible need for administrative action or recommendations. The surveys involve "calls" to futures commission merchants for reports on all accounts on their books, and the related assembly, tabulation, and analysis of the data obtained. The survey of Chicago wheat futures at the end of August 1964 covered the second largest wheat futures market in 30 years. The market-wide survey of all traders' positions in Maine potatoes futures, as of the end of December 1964, provided needed regulatory information at a time when open contracts in potato futures were at a higher level than on the date of any previous such survey in this market.

Investigations and Prosecutions:

1. Compliance Investigations. The agency's enforcement activities continued at a high level despite the large and time-consuming amount of work necessary to prepare for an administrative hearing in a major case charging a large grain firm with price manipulation of the 1963 May wheat future and of cash wheat. Of the 51 compliance investigations completed during the 1965 fiscal year, 17 resulted in prosecutions or agency compliance actions. These ranged from the issuance of seven administrative complaints and one criminal proceeding to a number of less formal compliance actions.

The field work and analysis were completed on five other investigations involving customers' complaints against a New York futures commission merchant. The results were referred to the U.S. Department of Justice for consideration of possible criminal action. These investigations involved the possible cheating or defrauding of commodity customers through the overtrading or "churning" of their accounts. Completed compliance investigations included instances of possible price manipulation, fraud, deceit, failure to report, false reporting, wash and fictitious trades and failure to segregate customers' funds. Of the four complaint actions successfully concluded during fiscal 1965, one each related to price manipulation speculative limits, fictitious and noncompetitive trading, and reporting violations.

2. Trade Practice Investigations. Two trade practice investigations were undertaken during the 1965 fiscal year, one of which was completed. The completed investigation, covering approximately 4,300 transactions in grain, resulted in stipulations of compliance by seven firms and seven individuals concerning prohibited trading practices. The investigation disclosed, among other things, that a trading practice had developed in the market which resulted in about 10 percent of the trading volume being "wash" trades. The other trade practice investigation initiated during fiscal 1965, which also covered grain, was pending at the end of the year. Recurrent investigations of floor trading practices are essential to maintain effective competition in trading and fair dealing in the execution of customers' orders. The investigation of floor trading practices in the soybean markets projected for 1967 fiscal is badly needed.

Auditing and Licensing of Brokers:

1. Protection of Commodity Traders' Funds. The agency maintained its continuing program of making regular audits and follow-up inspections of commodity brokerage firms to enforce the segregation provisions of the Commodity Exchange Act. Enforcing these provisions prevents or suppresses the misuse of commodity customers' funds and safeguards the markets generally against improper brokerage practices.

The agency made 467 audits in fiscal 1965 compared with 492 in the previous year. There was a limited increase in the backlog of audits pending at the close of the 1965 fiscal year. This resulted in part from scheduling during the year and completing a larger number of follow-up audits and inspections of firms previously having undersegregated accounts or other infractions.

The audit work in fiscal 1965 disclosed unlawful brokerage practices which resulted in three formal complaints charging violations of the act. These complaints charged undersegregation of customers' funds, unauthorized trading or related improper use of customers' funds, failure to keep required records, and other violations.

A number of firms which were found to be inadequately financed and poorly staffed applied for registration as commission merchants. Since the law does not authorize the establishment of minimum financial requirements, the agency was compelled to register them. Four did not have membership privileges on any licensed commodity exchange available to them and apparently had no legitimate source of commission. It was found in some instances that partners, officials, or principal salesmen had records with other law enforcement agencies, including prison records. The registration of one concern as futures commission merchant was permitted to lapse when their operating head began serving a prison term. The agency gave the public all possible protection against these operators by examining their records and interviewing their officials frequently.

The agency acted firmly during the year with a number of brokerage firms, which were shown by audits to have numerous deviations from the segregation requirements. In most cases the accountants were able to secure corrective action on the spot. In some cases warning letters were written and the registrants were required to advise the administrator what corrective action had been taken to attain compliance. An indication of improved compliance on the part of registrants was that fewer such warning letters were required in the 1965 fiscal year than in the previous year.

2. Registration of Commodity Brokers. The agency continued to administer provisions of the Commodity Exchange Act that require the annual registration of all futures commission merchants and floor brokers. In the 1965 fiscal year the agency registered 409 futures commission merchants and 736 floor brokers. As of June 30, 1965, registered futures commission merchants maintained 2,196 principal and branch offices (compared with 2,198 one year earlier), and had agents in 410 other offices (compared with 400 one year earlier). Registration fees collected from futures commission merchants and floor brokers in fiscal 1965 amounted to \$34,650.

Agency Reports:

1. Commodity Futures Statistics, 1963-64, the 24th consecutive issue of the Commodity Exchange Authority's statistical annual, was issued in December 1964. The 67-page bulletin continued the series of summary futures-trading data on volume of trading, deliveries, open contracts, positions of large and small traders, prices, and other data on commodities traded in the regulated futures markets in the 1964 fiscal year.
2. Wheat Futures Trading, June-October 1964, covered background information on the rapidly expanding Chicago wheat futures market during the summer of 1964 and included a survey of all wheat traders' positions on August 31, 1964. The survey showed 7,239 traders in the Chicago wheat market holding open positions of 174,255,000 bushels on the survey date.

3. Trading in Maine Potato Futures, June 1964-February 1965, dealt with the record-size trading volume and open contracts in 1964-crop potatoes, and included a survey of all traders' positions in the market on December 31, 1964. The survey showed 3,055 potato traders on that date holding total open contracts of 19,282 carlots. These figures greatly exceeded the number of traders and amounts of positions found in any other Commodity Exchange Authority survey of the market extending over a 10-year period.
4. Commitments of Traders in Commodity Futures (monthly). One section of this report is issued by the Chicago office covering wheat, corn, oats, rye, soybeans, soybean oil, soybean meal, and shell and frozen eggs; the other is issued by the New York office covering wool, potatoes, and cottonseed oil. The reports provide information to the public on the composition and utilization of the futures markets for all leading commodities. They show month-to-month changes in small and large traders' positions and give a breakdown of the aggregate hedging and speculative positions of large traders in 14 commodity markets.
5. Stocks of Grain in Deliverable Position (weekly). The agency compiled and released weekly reports on the stocks of grain deliverable by grade, and nondeliverable and ungraded grain in Federally licensed warehouses in Chicago.
6. Daily Reports released by the Chicago, New York, Kansas City, and Minneapolis offices covered basic statistical data on volume of trading and open contracts for regulated commodities on principal markets.

Contract Markets and Regulated Commodities:

The 17 commodity exchanges designated as contract markets under the Commodity Exchange Act and the 17 commodities in which futures trading was conducted under the act in fiscal year 1965 are as follows:

Chicago Board of Trade	Wheat, corn, oats, rye, soybeans, cottonseed oil, soybean oil, soybean meal
Chicago Mercantile Exchange	Eggs (shell and frozen)
Chicago Open Board of Trade	Wheat, corn, oats, rye, soybeans
Duluth Board of Trade	(No trading in 1964-65)
Kansas City Board of Trade	Wheat, soybeans
Memphis Board of Trade	
Clearing Association	(No trading in 1964-65)
Milwaukee Grain Exchange	Wheat, corn, oats, rye
Minneapolis Grain Exchange	Wheat, flaxseed, rye
New Orleans Cotton Exchange	Cotton
New York Cotton Exchange	Cotton
New York Mercantile Exchange	Potatoes, rice
New York Produce Exchange	Cottonseed oil, cottonseed meal
Portland Grain Exchange	(No trading in 1964-65)
St. Louis Merchants' Exchange	(No trading in 1964-65)
Northern California Grain Exchange	(No trading in 1964-65)
Seattle Grain Exchange	(No trading in 1964-65)
Wool Associates of the New York Cotton Exchange	Wool, wool tops

Workload data on major activities of the Commodity Exchange Authority

	Actual			Estimated		
	1963	1964	1965	1966	1967	
I. <u>Licensing and auditing:</u>						
Audits of customers' segregated funds	529	492	467	530	530	530
Accounts examined	32,285	35,422	32,809	38,000	38,000	38,000
Financial statements examined	490	430	410	410	410	410
Futures commission merchants registered ...	431	425	409	410	410	410
Floor brokers registered	775	752	736	760	760	760
II. <u>Supervision:</u>						
Markets and commodities:						
Exchanges	17	17	17	17	17	17
Commodities	19	18	16	17	17	17
Markets (5 wheat markets, 4 corn markets, etc.)	36	36	30	33	33	33
Reports tabulated and analyzed:						
Daily trading volume and open contracts .	198,641	191,771	178,975	200,000	200,000	200,000
Daily and weekly reports of large traders	355,034	331,506	348,996	400,000	400,000	400,000
Average daily reports received from large traders	959	903	1,003	1,000	1,000	1,000
Weekly stock reports from Chicago regular elevators	2,743	2,833	2,785	3,000	3,000	3,000
Delivery notices	59,442	80,286	55,596	75,000	75,000	75,000
Special calls and surveys	2	1	2	4	6	6
Accounts	3,531	925	10,294	14,000	29,000	29,000
III. <u>Investigations:</u>						
Compliance investigations completed	41	53	51	50	55	55
Trade practice investigations completed ...	1	2	1	2	1	1
Criminal prosecutions instituted	0	1	1	1	1	1
Administrative proceedings instituted	6	8	7	7	7	7

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961 under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 133z). The Service carries on the following principal programs:

1. Production Adjustment Programs. The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment for designated basic commodities (tobacco, peanuts, wheat, cotton and rice). This is done through acreage allotments, and through marketing quotas when supplies reach specified levels in relation to normal demand.

Special voluntary acreage reduction programs are in effect for cotton, wheat, and feed grain crops. These programs have several objectives. They increase farm income. They reduce surpluses or prevent further buildup of surpluses. They reduce costs of price support.

ASCS is responsible for part of the Department's civil defense work. This includes defense preparedness work on food and also domestic distribution of farm equipment and supplies.

2. Sugar Act Program. The chief objective of the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugars and of those engaged in the domestic sugar-producing industry." This involves determination of U. S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. It also involves marketing of sugar produced in domestic areas. Payments are made to domestic sugar growers who comply with certain labor, wage, price, and marketing requirements prescribed by law.
3. Agricultural Conservation Program. This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The Act aims at restoring and improving soil fertility. It contributes to reducing erosion caused by wind and water. It also helps in conserving water on land. Costs are shared with individual farmers and ranchers who perform approved soil-building and soil- and water-conserving practices on their farms. This assistance represents only a part of the cost of performing the practice. The farmer bears the balance of the cost which amounts to about 50%. He supplies labor and management necessary to carry out the practice. Allocations are made to States based upon conservation needs.
4. Emergency Conservation Measures. This program is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959. Its objective is to restore to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or

other natural disasters. To this end, costs are shared with farmers for carrying out approved practices. Assistance is given only when new conservation problems are created which: a. if not treated will impair or endanger the land; b. materially affect the productive capacity of the land; c. represent damage which is unusual in character, and, except for wind erosion, is not the type which would recur frequently in the same area; or d. will be so costly to rehabilitate that Federal assistance is required to return the land to productive agricultural use.

5. Cropland Adjustment Program. This program was authorized in the Food and Agriculture Act of 1965. Its purpose is to assist farmers, through long-term agreements, to divert land from the production of unneeded crops to uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources. The program will also establish, protect, and conserve open spaces and natural beauty and prevent air and water pollution.
6. Cropland Conversion Program. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended by Section 101 of the Food and Agriculture Act of 1962, provides for long-term cropland conversion agreements. Under these pilot program agreements, cropping systems and land uses will be changed to permanently shift to better productive use cropland which is not well suited for crop use. They also temporarily shift to better productive use, and to use for other purposes, land which is suitable for crop use but not currently needed for crops.
7. Conservation Reserve Program. The Conservation Reserve Program is authorized by the Soil Bank Act. It was a voluntary program, initiated in 1956, under which the Secretary was authorized, through the calendar year 1960, to enter into 3-to-10 year contracts with farmers to withdraw specified acreages of cropland from production and devote it to conservation uses. In return for removing designated cropland from productions and for establishing necessary conservation practices on this land, the farmer receives an annual rental payment each year of the contract period, and receives cost-sharing assistance for the establishment of the required conservation practices. Most contracts will have terminated by the fiscal year 1970.
8. Indemnity Payments to Dairy Farmers. The milk indemnity payment program is authorized by Part D of Title III of the "Economic Opportunity Act of 1964". The Secretary is authorized to make indemnity payments at the fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. The authority expires June 30, 1966. Each eligible dairy farmer will receive from all sources no more than the amount he would have received if he had produced and marketed a quantity of milk equal to his normal marketings.
9. Appalachian Region Conservation Program. This is a long-term program authorized in Section 203 of the Appalachian Regional Development Act of 1965 to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Contracts provide for land stabilization, erosion and sediment control, reclamation through changes in land use, and the establishment of measures for the conservation and development of the Region's soil, water, woodland, wildlife and recreation resources. The program supplements other conservation programs of the Department in the designated counties of those States in the Appalachian Region.

10. Commodity Credit Corporation Program Activities. Various price support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the Commodity Credit Corporation programs. The Administrator of the Service is also Executive Vice President of the Corporation.

Additional information on the price support and related activities of the Commodity Credit Corporation will be found in Volume 3 of these Explanatory Notes.

Foreign Assistance Programs, Special Export Programs and other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorize the use of CCC funds and facilities to implement the programs. Funds for these programs are made available to the Corporation for its costs incurred in connection with these activities. Additional information on these programs will be found in Volume 3 of these Explanatory Notes.

11. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies and others on an advance or reimbursable payment basis. These consist primarily of the following:
- a. Great Plains Conservation Program. The Service assists the Soil Conservation Service in the development and application of policies relating to conservation measures and cost-share rates. This includes conservation practices for use in the various States. The Service works with the Soil Conservation Service in correlating the Agricultural Conservation Program and the Great Plains Conservation Program practices and procedures.
 - b. Removal of Surplus Agricultural Commodities, and School Lunch Program. This work is done under agreement with the Consumer and Marketing Service. Purchase and diversion programs are carried out under section 32 of the Act of August 24, 1935. Commodities are also purchased for use by schools in the School Lunch Program.
 - c. Aerial Photographs. The Service enters into cooperative agreements with State and local public agencies for making aerial photographs. These photographs are made primarily for use in farm programs. Copies are also sold to the public and to other Federal agencies.
 - d. Agency for International Development. The Service provides technical assistance, as requested by the International Agricultural Development Service in connection with the Department's activities under agreement with AID, particularly in the fields of food production, distribution and price stabilization.
 - e. Loan Service Charges. The Service performs inspection, sampling, testing, grading, and sealing of price support commodities being placed under loan for which fees are collected from farmers.

The Agricultural Stabilization and Conservation Service carries on its programs in the field through a number of offices. Several commodity offices and a data processing center are responsible primarily for Commodity Credit Corporation functions. Such functions include accounting for price support loans and purchases, acquisition, management, storage and disposition of commodities, and related transportation and accounting activities. Its programs are also carried out through the ASCS State and county committees which are responsible for the local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASCS county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASCS State Committees in the 50 States and Puerto Rico, and a total of 3,062 county committees. Certain centralized management activities are performed in a Management Field Office.

Available Funds and Man-Years
1965 and Estimated, 1966 and 1967

Item	Actual		Estimated		Budget Estimate	
	1965		Available, 1966		1967	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Agricultural Stabilization and Conservation Service:						
Expenses, ASCS:						
Appropriation	\$108,552,000	2,186	\$126,278,500	2,194	\$135,891,000	2,356
Transfers from CCC:						
Authorized in appropriation:						
Acts	89,264,100	)	81,933,500	)	77,545,000	2,950
Transferred for Wheat		)		)		
Diversion program	a/ 3,233,338	)	- -	)	- -	
Transferred for Cropland		)3,303		)3,108		
Adjustment program	- -	)	b/ 8,000,000	)	- -	
Allocations to other agencies	c/-2,334,000	)	d/-2,438,500	)	- -	
Net transfers	90,163,438	3,303	87,495,000	3,108	77,545,000	2,950
Total, Expenses, ASCS	198,715,438	5,489	213,773,500	5,302	213,436,000	5,306
Wheat Act program	96,000,000	- -	95,000,000	- -	80,000,000	- -
Agricultural conservation program	225,000,000	- -	220,000,000	- -	220,000,000	- -
Appalachian region conservation program	e/ 7,000,000	- -	- -	- -	4,375,000	- -
Cropland conversion program ...	15,000,000	- -	7,500,000	- -	10,000,000	- -
Cropland adjustment program ...	- -	- -	- -	- -	200,000,000	- -
Conservation reserve program ..	194,000,000	- -	146,000,000	- -	143,000,000	- -
Emergency conservation measures	14,000,000	- -	24,000,000	- -	5,000,000	- -
Indemnity payments to dairy producers	1,000,000	- -	300,000	- -	- -	- -
Total	750,715,438	5,489	706,573,500	5,302	875,811,000	5,306
Revolving allotments to other agencies	194,036	19	237,650	21	211,360	19
Net	750,521,402	5,470	706,335,850	5,281	875,599,640	5,287
Obligations under other USDA appropriations:						
Soil Conservation Service - Great Plains conservation program	73,770	2	76,700	2	76,280	2
Consumer and Marketing Service:						
- for assistance on Section 32 and School Lunch program. :	810,083	98	855,000	100	855,000	100
Federal Crop Insurance Corporation - for administrative services provided the Corporation	219,418	)	258,464	)	259,000	)
Data processing services for centralized personnel and payroll operations	438,196	)	254,444	)	255,000	)

(Continued on next page)

Item	Actual 1965		Estimated Available, 1966		Budget Estimate 1967	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Obligations under other USDA appropriations:						
Office space supplied to other agencies of the Department .	\$931,675:	)	\$1,033,000:	)	\$1,033,000:	)
Miscellaneous - for detail of personnel, travel, office supplies, etc.	398,159:	)	446,672:	)	466,910:	)
Total, Other USDA appropriations	2,871,301:	158:	2,924,280:	166:	2,945,190:	169:
Total, Agricultural Appropriation Bill	753,392,703:	5,628:	709,260,130:	5,447:	878,544,830:	5,456:
Other funds:						
Area Redevelopment Administration (Dept. of Commerce) Operations	38,000:	- -	- -	- -	- -	- -
Office of Emergency Planning-assistance to defense boards.	91,604:	8:	70,000:	6:	89,000:	8
Fees collected from farmers for inspecting, sampling, testing, grading, and sealing price-support commodities ...	5,457,700:	56:	6,720,580:	94:	4,850,140:	94
Sales of aerial photographs to other agencies and non-federal sources	1,108,402:	- -	1,001,200:	- -	1,002,420:	- -
Agency for International Development (Dept. of State).	59,800:	2:	144,200:	6:	140,620:	7
Total, Other funds	6,755,506:	66:	7,935,980:	106:	6,082,180:	109
Total, Agricultural Stabilization and Conservation Service/	760,148,209:	5,694:	717,196,110:	5,553:	884,627,010:	5,565

- a/ Consists of \$10,000,000 transfer authorized in Food and Agriculture Act of 1965 less \$6,766,662 of other CCC funds not transferred.
- b/ Authorized in the Food and Agriculture Act of 1966.
- c/ In 1965, \$170,735 was actually allocated to the Consumer and Marketing Service for warehouse examination. The \$2,334,000 consists of \$2,300,000 representing the full year's cost of these warehouse examination functions plus \$34,000 allocated to FAS for increased pay costs in that year.
- d/ Consists of \$2,416,500 allocated to the Consumer and Marketing Service for warehouse examination plus \$22,000 allocated to the Foreign Agricultural Service for increased pay costs.
- e/ Of this amount, \$215,000 was used in 1965 and \$6,785,000 estimated to be used in 1966.
- f/ Exclusive of appropriations to the Commodity Credit Corporation and for Foreign Assistance Programs which are included in Volume 3 of these Explanatory Notes.

(a) Expenses, Agricultural Stabilization and Conservation Service

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation Funds</u>	<u>Total</u>
Appropriation Act, 1966	\$126,278,500	\$81,933,500	\$208,212,000
Transfer from CCC for expenses re- lated to Cropland Adjustment Program	- -	+8,000,000	+8,000,000
Allocation to Consumer and Market- ing Service for warehouse exam- inations	- -	-2,416,500	-2,416,500
Allocation to Foreign Agricultural Service for increased pay costs .	- -	-22,000	-22,000
Base for 1967	<u>126,278,500</u>	<u>87,495,000</u>	<u>213,773,500</u>
Budget Estimate, 1967	<u>135,891,000</u>	<u>77,545,000</u>	<u>213,436,000</u>
Increase or Decrease	<u>+9,612,500</u>	<u>-9,950,000</u>	<u>-337,500</u>

SUMMARY OF INCREASES AND DECREASES

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation Funds</u>	<u>Total</u>
Increase for expenses related to Cropland Adjustment Program	+\$10,326,500	-\$8,266,140	+\$2,060,360
Reduction due to increased pro- ductivity	-1,702,600	-518,250	-2,220,850
Decrease in workload volume	-2,877,900	-2,907,010	-5,784,910
To provide for the full year cost of the pay increases pursuant to P.L. 89-301	<u>+3,866,500</u>	<u>+1,741,400</u>	<u>+5,607,900</u>
Total	<u>+9,612,500</u>	<u>-9,950,000</u>	<u>-337,500</u>

PROJECT STATEMENT

Project	1965	1966 (estimated)	<u>Increases and Decreases</u>		1967 (estimated)
			<u>Increased</u>	<u>Other</u>	
			<u>(P.L.89-301)</u>		
1. Program formula- tion and appraisal: \$3,896,091:		\$3,583,684:	+\$81,150	+\$121,632	\$3,786,466
2. Operating supply: adjustment, con- servation and price support pro- grams	167,343,508:	181,322,327:	+483,710	-5,531,663	180,628,374
3. Inventory man- agement and mer- chandising	26,174,455:	26,288,489:	+689,040	-357,369	26,620,160
Contingency reserve:	1,295,000:	2,579,000:	- -	-178,000	2,401,000
Unobligated balance:	6,384:	- -	- -	- -	- -
Total increased pay: costs (P.L.89-301):	- -	:(4,122,000):	:(+1,485,900):	:(-46,900)	:(5,561,000)
Subtotal	198,715,438:	213,733,500:	+5,607,900	-5,945,400(1)	213,436,000

Project	1965	1966 (estimated)	Increases and Decreases		1967 (estimated)
			Pay Costs (P.L.89-301)	Other	
Deduct Transfer from CCC	90,163,438	87,495,000	1,741,400	11,691,400	77,545,000
Total available or estimate	108,552,000	126,278,500	+3,866,500	+5,746,000	135,891,000

INCREASES AND DECREASES

There is a net decrease in the total request for this item in 1967 of \$337,500. This consists of a proposed increase in the direct appropriation of \$9,612,500 and a decrease in estimated transfers from the Commodity Credit Corporation of \$9,950,000.

These items are composed of the following:

(1) A decrease of \$5,945,400 in program costs. This consists of:

a. An increase of \$2,060,360 for expenses related to the Cropland Adjustment Program. This increase is required for the expenses of administering the Cropland Adjustment Program for a full year and will provide a total of \$10,326,500 for this purpose. More than \$9,000,000 of this is required for expenses at the county office level.

In the fiscal year 1966, \$8,000,000 was transferred to this account as authorized by the Food and Agriculture Act of 1965. Title VI of that Act authorized the use of CCC funds for this program through the calendar year 1966. However, it is proposed that these funds be provided by appropriation effective July 1, 1966.

These funds would provide for conducting sign-up, processing requests and agreements, making necessary farm visits prior to signing of agreements, approving requests for cost-sharing, performance determinations, making payments, and maintaining related records and reports.

b. A decrease of \$2,220,850 for anticipated increased productivity in 1967 of about one percent. Of this total, \$1,702,600 is applicable to the direct appropriation and \$518,250 is applicable to Commodity Credit Corporation funds. The estimated increase in productivity represents expected management improvements in 1967 which will make these savings possible.

c. A decrease of \$5,784,910 due to an anticipated reduction in the volume of workload in 1967. This reduction is expected to be primarily in requests for cost-sharing under the Agricultural Conservation Program and savings resulting from the expanded use of compliance by certification in lieu of actual measurement. These are the two main factors which account for the proposed decrease of \$2,877,900 in the direct appropriation.

The remaining portion of this reduction of \$2,907,010 in estimated transfers from Commodity Credit Corporation funds is due primarily to lower program volume in 1967 than anticipated for 1966. The workload estimates, which are explained in more detail in the following pages, are based on the October and November 1965 crop reports. Should actual workload exceed these estimates, it would be necessary to use the contingency reserve of 7 percent which has been provided under the administrative expense limitation for the Commodity Credit Corporation for a number of years. The contingency reserve for 1967 is \$178,000 less than 1966 and is available for use only on approval by the Bureau of the Budget to meet program requirements. Since the workload volume reflects the production, supply and utilization of commodities for 1966 crops which for the most part have not yet been planted, the actual workload may vary considerably from these projections.

(2) An increase of \$5,607,900 to provide for the full year costs in fiscal year 1967 of the pay increase pursuant to P.L. 89-301. Of this amount, \$3,866,500 is applicable to the direct appropriation and \$1,741,400 is applicable to transfer from Commodity Credit Corporation funds. An over-all explanation of increases for pay act costs is included in the Preface of these Explanatory Notes in Volume 1.

In the fiscal year 1966, the Agricultural Stabilization and Conservation Service absorbed all of the increased pay costs within funds available. This was made possible principally as a result of savings from procedural improvements regarding compliance checking and lower than estimated level of activities for the livestock feed and grain storage in Corporation-owned bins. Similar savings, other than those identified above, are not expected to occur in the fiscal year 1967. Of the total increase requested for 1967, \$1,485,900 is necessary to place the 1966 pay costs on a full year basis.

EXPLANATION OF THE ACCOUNT

The 1967 Budget estimates for Expenses, ASCS, reflect the transfer of CCC funds used to carry out specific programs not covered by direct appropriation. In addition, it provides that funds made available to the Agricultural Stabilization and Conservation Service by other agencies for services in connection with various programs be advanced to and merged with this appropriation. These transfers consolidate all administrative funds used by ASCS into one account and provide clarity and better management and control of such funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The following tabulation shows obligations of this Service for administrative expenses:

Project	1965	1966	1967
Obligations under direct appropriation and CCC transfers a/	\$197,220,018	\$210,956,850	\$210,823,640
Obligations under funds from other sources and consolidated with this account (sales of aerial photographs, loan service charges, space and services furnished other agencies)	9,841,807	11,270,260	9,027,370
Total obligations	207,061,825	222,227,110	219,851,010
The above obligations are distributed by activities as follows:			
1. Formulating and appraising programs	4,033,255	3,894,849	3,975,913
2. Operating supply adjustment, conservation, and price support programs	174,575,205	190,031,178	187,659,936
3. Managing and merchandising commodities and accounting for loans and commodities	28,453,365	28,301,083	28,215,161
Total obligations	207,061,825	222,227,110	219,851,010

a/ Excludes allotments to other agencies and contingency reserve as follows:

	1965	1966	1967
Forest Service	\$159,850	\$158,700	\$159,620
Office of the General Counsel	34,186	78,950	51,740
Contingency reserve (CCC)	1,295,000	2,579,000	2,401,000
Unobligated balance	6,384	-	-
Total	1,495,420	2,816,650	2,612,360

The following describes the process for estimating expenses:

County Offices

For the county offices, which constitute the largest segment of administrative expense activity, the volume of major workload items is estimated for each major program.

These workload items are weighted to reflect the relative time required for doing the work. The resulting workload points are used for distributing costs to the various programs and for the allocation of funds.

The validity of the weights was tested during fiscal years 1963, 1964, and 1965 in studies involving 159 county offices. These weights, with some adjustments, have been used for program cost distribution. The verification study is being continued in fiscal year 1966 to further refine the system.

Commodity Offices

A work measurement and performance standards system is used for planning, measuring, and forecasting administrative expenses for the Commodity Offices and for the Data Processing Center in Kansas City. The program volume is translated into approximately 60 work units and production rates with the resultant manpower and funds requirements. The major work items relate to producer transactions, inventory management, and merchandising activities.

National, State, and Management Field Offices

Administrative expenses for other organizational units are determined on the basis of past experience, and, when available, estimates of workload volume.

The following tables show (1) county office workload data, and (2) the summary of major program volume by commodity and conversion of volume to work units.

COUNTY OFFICE WORKLOAD DATA
1967 Budget Estimates

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
	1965	1966	1967		1965	1966	1967
AGRICULTURAL CONSERVATION PROGRAM							
A Requests for cost-sharing	2,290,721	2,289,813	2,034,713	1.00	2,290,720	2,289,813	2,034,713
B Referrals for technical services .	420,580	420,580	420,580	.54	227,113	227,113	227,113
C Conservation materials and services orders	1,289,661	1,289,661	1,289,661	.43	554,554	554,554	554,554
D Payment applications, approvals, and performance reports	1,677,781	1,697,776	1,697,776	1.61	2,701,227	2,733,419	2,733,419
E Pooling agreements	4,486	4,518	4,518	4.42	19,828	19,970	19,970
Total, ACP					5,793,442	5,824,869	5,569,769
SUGAR ACT PROGRAM							
A Participating ownership tracts ...	60,773	60,773	60,773	2.53	153,846	153,846	153,846
B History record cards	72,959	72,959	72,959	.31	22,471	22,471	22,471
C Fields measured for abandonment and verification	8,821	8,863	8,863	1.17	10,315	10,384	10,384
D Fields measured and/or spot checked	83,321	89,564	89,564	.69a/	53,952	62,005	62,005
Total, SUGAR ACT PROGRAM					240,584	248,706	248,706
CONSERVATION RESERVE PROGRAM							
A Whole farm contracts in effect ...	120,682	89,039	87,735	2.17	261,880	193,215	190,385
B Part farm contracts in effect	45,284	36,107	35,661	5.50	249,062	198,589	196,136
Total, CONSERVATION RESERVE					510,942	391,804	386,521

a/ .65 in 1965.

COUNTY OFFICE WORKLOAD DATA
1967 Budget Estimates

PROGRAM AND WORKLOAD ITEM		WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
		1965	1966	1967		1965	1966	1967
COTTON PROGRAM								
A	Number of regular allotments							
B	Allotments released and reappor- tioned	736,511:	736,511:	736,511:	2.08	1,531,943:	1,531,943:	1,531,943
C	Domestic allotments	296,479:	296,479:	296,479:	.17	139,345:	139,345:	139,345
D	Application for export market acreage	892,742:	892,742:	892,742:	.32	285,677:	285,677:	285,677
E	Acres of allotment, 15.0-49.9 ...	5,397:	5,397:	- -	5.39	29,090:	29,090:	- -
F	Acres of allotment, over 50.0 ...	3,963,030:	3,963,030:	3,963,030:	.09	356,673:	356,673:	356,673
G	Excess cases	9,862,210:	9,862,210:	9,862,210:	.03	295,866:	295,866:	295,866
H	Referendum (referendum commit- tees)	1,762:	1,478:	1,478:	2.86	5,039:	4,227:	4,227
I	Domestic allotment payments	6,973:	6,973:	6,973:	28.11	196,011:	196,011:	196,011
		509,044:	510,043:	510,043:	.60	305,426:	306,026:	306,026
	Total, COTTON PROGRAM					3,145,070:	3,144,858:	3,115,768
AA & MQ - PEANUTS								
A	Allotments and one acre or less farms	112,241:	112,241:	112,241:	2.20	246,930:	246,930:	246,930
B	Acres of allotment over 20.0 acres	1,022,572:	1,025,572:	1,025,572:	.07	71,580:	71,790:	71,790
C	Allotments released and reappor- tioned	25,945:	25,945:	25,945:	.55	14,270:	14,270:	14,270
D	Additional free performance visits	10,219:	10,219:	10,219:	2.08	21,256:	21,256:	21,256
E	Farm accounts	649:	649:	649:	3.63	2,356:	2,356:	2,356
F	Referendum (referendum commit- tees)	- -	1,457:	- -	28.00	- -	40,796:	- -
	Total, AA & MQ PEANUTS					356,392:	397,398:	356,602

COUNTY OFFICE WORKLOAD DATA
1967 Budget Estimates

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PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
	1965	1966	1967		1965	1966	1967
AA & MQ - RICE							
A Number of allotments	22,423:	22,423:	22,423:	3.53	79,153:	79,153:	79,153
B Producer allotments established .	6,610:	6,610:	6,610:	.54	3,569:	3,569:	3,569
C Allotments released and reapportioned	2,556:	2,556:	2,556:	.52	1,329:	1,329:	1,329
D Acres of allotment over 75.0 acres	1,445,859:	1,445,859:	1,445,859:	.02	28,917:	28,917:	28,917
E Referendum (referendum committees)	345:	346:	346:	27.14	9,363:	9,363:	9,363
Total, AA & MQ RICE					122,331:	122,331:	122,331
AA & MQ - TOBACCO							
A Number of allotments	771,314:	565,639:	565,639:	2.09a/	1,336,454:	1,182,186:	1,182,186
B Lease and transfer of allotments .	81,979:	81,979:	81,979:	1.04	85,258:	85,258:	85,258
C Memorandum of sale	550,885:	550,885:	550,885:	.51	280,951:	280,951:	280,951
D Acres of allotment, over 6.0	326,604:	326,604:	326,604:	.55	179,632:	179,632:	179,632
E Acres of allotment, over 2.0	147,105:	147,105:	147,105:	.74	108,858:	108,858:	108,858
F Farm accounts	3,566:	3,566:	3,566:	6.67	23,785:	23,785:	23,785
G Referendum (referendum committees)	5,677:	186:	490:	31.00b/	212,774:	5,766:	15,190
Total, AA & MQ TOBACCO					2,227,712:	1,866,436:	1,875,860

a/ 1965 weights - flue, 1.36, all other 2.09 composite weight 1.73; 1966 and 1967 - all kinds, 2.09.
b/ 1965 weight - 37.48.

COUNTY OFFICE WORKLOAD-DATA
1967 Budget Estimates

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
	1965	1966	1967		1965	1966	1967
WHEAT DIVERSION PROGRAM							
A Allotment, yield, payment rate, and certificate allocation							
B Participating farms	1,787,055	1,787,055	1,787,055	.78	1,393,903	1,393,903	1,393,903
C Acres of allotment	910,443	910,443	910,443	2.76 a/	2,540,136	2,527,628	2,516,971
D Additional free performance	32,938,986	26,190,212	20,440,257	.006/	505,375	453,826	404,359
E Visits	231,910	233,093	233,093	1.87	433,672	435,884	435,884
F Final payments	1,047,452	1,189,808	1,189,808	.54	565,624	642,496	642,496
Total, WHEAT DIVERSION					5,438,710	5,453,737	5,393,613
FEED GRAIN PROGRAM							
A Number of bases established.....	3,818,278	3,818,736	3,818,736	.56	2,138,236	2,138,492	2,138,492
B Number of participating farms ...	1,500,137	1,505,028	1,505,028	3.03 c/	4,680,427	4,625,069	4,564,902
C Acres of base	58,605,326	52,176,281	46,640,102	.028d/	1,567,689	1,436,881	1,325,411
D Final payments	1,893,771	1,983,382	1,983,382	.60	1,136,263	1,190,029	1,190,029
Total, FEED GRAIN PROGRAM					9,522,615	9,390,471	9,218,834
RECONSTITUTIONS							
A Farms reconstituted	436,179	436,968	436,968	1.30	567,033	568,058	568,058
B Allotments, soil bank-feed grain bases reconstituted	676,367	677,257	677,257	.60	405,820	406,354	406,354
Total, RECONSTITUTIONS					972,853	974,412	974,412

a/ 2.79 in 1965; 2.78 in 1966 } Composite weights resulting
b/ .015 in 1965; .017 in 1966 } from reflection of
c/ 3.12 in 1965; 3.07 in 1966 } compliance by certification.
d/ .027 in 1965.

1967 Budget Estimates

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PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
	1965	1966	1967		1965	1966	1967
PRICE SUPPORT PROGRAM							
A Reinspection of farm-stored loans	638,066:	981,466:	931,606:	.42	267,988:	412,216:	391,275
B Loan repayments	402,553:	332,353:	376,835:	.49	197,251:	162,853:	184,649
C Farm-stored takeover	107,323:	98,464:	96,080:	2.65	284,406:	260,930:	254,612
D Number of reseals	245,846:	220,212:	225,625:	1.00	245,846:	220,212:	225,625
E Number of warehouse loans acquired	85,219:	78,800:	332,701:	.20	17,044:	15,760:	66,540
F Active facility and dryer loans	62,189:	49,730:	44,757:	1.07	66,542:	53,211:	47,890
G Number of flue-cured tobacco allotments (variety discounts)	188,762:	198,000:	198,000:	1.00	18,876:	19,800:	19,800
H Supervision of cotton sampling	48,841:	41,703:	41,703:	.14	6,838:	5,838:	5,838
Total, PRICE SUPPORT .					1,104,791:	1,150,820:	1,196,229
WOOL ACT PROGRAM							
A Number of applications for payment	381,957:	385,624:	385,624:	.96	366,679:	370,199:	370,199
B Number of assignments	4,115:	4,243:	4,243:	.38	1,564:	1,612:	1,612
Total, WOOL ACT PROGRAM					368,243:	371,811:	371,811
GRAIN STORAGE STRUCTURES PROGRAM							
A Maintenance of sites and structures (no. of sites)	230,650:	211,361:	191,700:	4.95	1,141,718:	1,046,237:	948,915
B Care of grain (number of bushels in storage).....	431,430,602:	359,339,413:	325,911,000:	.0023	992,290:	826,481:	749,595
C Handling of grain (no. of bushels)							
1. By ASCS	26,397,878:	26,397,878:	23,942,000:	.014	369,570:	369,570:	335,188
2. Under contract	119,179,963:	119,179,963:	108,100,000:	.0104	1,243,892:	1,243,892:	1,128,240
Total, GRAIN STORAGE ...					3,747,470:	3,486,180:	3,161,938

Excludes unweighted workload.

COUNTY OFFICE WORKLOAD DATA
1967 Budget Estimates

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			Weight	WEIGHTED WORKLOAD		
	1965	1966	1967		1965	1966	1967
LOAN SERVICE CHARGES							
A Application for price support ...							
B Number of farm-storage loans	265,690:	412,200:		1.48	393,221:	610,056:	532,346
C Number of warehouse loans	181,602:	280,419:	266,173:	2.00 a/	312,355:	482,321:	258,937
D Number of cotton warehouse loans	118,562:	183,084:	173,783:	1.49 b/	124,490:	192,238:	
E Number of farm-storage facility loans	13,897:	412,340:	411,520:	1.00 c/	13,897:	53,741:	53,659
F Number of dryer loans	7,409:	4,600:	4,200:	7.79	57,716:	35,834:	32,718
	1,200:	900:	800:	9.05	10,860:	8,145:	7,240
Total, LOAN SERVICE CHARGES ...					912,539:	1,382,335:	884,900
TOTAL WEIGHTED WORKLOAD					34,463,694:	34,206,168:	32,877,294

a/ 1.72 in 1965 and 1966) Increase in 1967 result of procedural change that eliminates

b/ 1.05 in 1965 and 1966) workload item for number of applications.

c/ Increased workload in 1966 and 1967 result from procedural changes. Weight of .10 applied to the increase.

COMMODITY CREDIT CORPORATION
Summary of Major Program Volume by Commodity
(In thousands)

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Item and Commodity	1965 Actual	* Estimated Volume		Increase (+) or Decrease (-) Quantity : Percent
		1966	1967	
1. LOANS MADE				
Cotton (bales)	7,341	7,535	3,535	-4,000 : -53
Corn (bu.)	217,043	350,000	330,000	-20,000 : -6
Grain sorghums (bu.)	82,631	175,000	110,000	-65,000 : -37
Wheat (bu.)	204,323	225,000	175,000	-50,000 : -22
Rice, rough (cwt.)	7,629	8,000	8,500	+500 : +6
Other grains (bu.) a/	96,262	219,833	208,667	-11,166 : -5
2. ACQUISITIONS				
Cotton (bales)	5,719	4,999	6,314	+1,315 : +26
Dairy products (lb.) b/	1,157,929	1,151,600	1,216,600	+65,000 : +6
Corn (bu.)	125,189	102,026	120,000	+17,974 : +18
Grain sorghums (bu.)	69,329	175,698	100,000	-75,698 : -43
Wheat (bu.)	107,359	188,690	100,000	-88,690 : -47
Rice (cwt.)	2,114	3,578	6,820	+3,242 : +91
Other grains (bu.) a/	48,886	38,055	61,417	+23,362 : +61
3. DISPOSITIONS				
Cotton (bales)	3,420	4,055	2,545	-1,510 : -37
Dairy products (lb.) b/	1,201,298	1,323,192	1,326,600	+3,408 : +3
Corn (bu.)	377,606	135,000	245,000	+110,000 : +81
Grain sorghums (bu.)	142,612	160,000	175,000	+15,000 : +9
Wheat (bu.)	289,900	260,000	200,000	-60,000 : -23
Rice (cwt.)	2,392	2,390	2,220	-170 : -7
Other grains (bu.) a/	52,837	36,081	36,834	+753 : +2
4. ENDING INVENTORIES				
Cotton (bales)	6,739	7,683	11,452	+3,769 : +49
Dairy products (lb.) b/	445,291	273,700	163,700	-110,000 : -40
Corn (bu.)	482,974	450,000	325,000	-125,000 : -28
Grain sorghums (bu.)	564,302	580,000	505,000	-75,000 : -13
Wheat (bu.)	646,310	575,000	475,000	-100,000 : -17
Rice (cwt.)	1,312	2,500	7,100	+4,600 : +184
Other grains (bu.) a/	70,925	72,900	97,483	+24,583 : +34

a/ Includes: Barley, Oats, Rye, Soybeans, Flaxseed and Dry Edible Beans.

b/ Includes: Butter, Cheese, Nonfat Dry Milk, Butter Oil and Ghee.

* NOTE: Estimates based on October 1965 crop reports except cotton and feed grains which are based on November reports.

COMMODITY CREDIT CORPORATION

Summary of Major Program Volume in Carlots and Bales

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Activity and Item	All Commodities Except Cotton				Cotton			
	1965 Actual	Oct. Volume	Except: Increase (+)	1965 or	1966 Actual	November Volume	Increase (+)	
		Feed Grains - Nov.	or				or	
LOAN ACTIVITY		1966 Estimate	1967 Estimate	Decrease (-) Percent	1966 Estimate	1967 Estimate	Decrease (-) Percent	
		Carlots			Thousand Bales			
A. Loans made	310,616	502,531	431,411	-14	7,341	7,535	3,535	-53
B. Loans repaid	215,073	180,204	232,079	+29	2,556	1,545	2,521	+63
C. Loans forfeited:								
1. Warehouse stored.	66,345	127,000	88,367	-30	5,723	4,999	6,314	+26
2. Farm stored	100,056	114,827	103,496	-10				
I. INVENTORY MANAGEMENT								
A. On hand, beginning of F.Y.	1,166,075	903,658	857,026	-5	4,440	6,739	7,683	+14
B. Acquisitions:								
1. Purchases (processed)	66,590	69,772	70,821	+2				
2. Purchases (grains)	9,251	16,543	9,531	-42				
3. Forfeiture of coll.	170,527	241,827	191,863	-21	5,719	4,999	6,314	+26
4. Transfers	1,084	19,950	21,700	+9				
Total acquisitions	247,452	348,092	293,915	-16	5,719	4,999	6,314	+26
C. Dispositions:								
1. Sales	452,164	323,514	352,661	+9	3,420	4,055	2,545	-37
2. Donations	55,083	51,260	53,389	+4				
3. Transfers	2,520	19,950	21,700	+9				
Total dispositions	509,767	394,724	427,750	+8	3,420	4,055	2,545	-37
D. On hand, end of F.Y.	903,760	857,026	723,191	-16	6,739	7,683	11,452	+49
II. RECONCENTRATIONS								
	248,923	150,000	148,200	-1	1,559	2,400	2,750	+14

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	Fiscal Year 1966		Fiscal Year 1967	
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN. Yr.	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN. Yr.
	DIRECT LABOR					
	PROGRAM ACTIVITIES					
	I. Inventory Management					
	A. Storage and Maintenance					
	Storage Contract Negotiations	Contract Documents	17,610	1,044	17,610	1,044
01						16.9
02		Lot	14,926	8,848	14,926	8,848
03		Inspections By Other Agencies				1.7
04		Examination, Other	4,776	809	4,776	809
05		Loading Orders Settlements - KCCO	42,807	6,290	41,986	6,290
06		Periodic Storage Payments	135,243	3,602	135,243	3,602
07		Loading Order Settlement	471,935	4,515	503,273	4,515
08		Reconcentration Payment, Cotton	3,600	2,010	4,125	2,010
09		Payment of Charges, Other Services	77,806	8,222	77,806	8,222
10		CCC Bins and Equipment	14,000	3,915	14,000	3,915
	B. Movements and Transfers					
11		Loading Orders Issued or Notice to Deliver	505,937	6,656	536,441	6,656
12		Recordation of Transit	263,114	17,696	266,092	17,696
13		Reconcentration Orders Issued, Cotton	2,400,000	63,684	2,750,000	63,684
14		Deliveries	597,237	4,724	630,320	4,724
15		Freight Payments, All Commodities	498,151	7,125	548,792	7,125
16		Post Audit of Freight Bills	244,592	18,531	269,457	18,531
17		Public Law 480-Titles I and IV	2,934	235	90	235
18		Export Payments	23,500	2,636	23,500	2,636
19		C. Commodity Stocks on Hand	11,738,300	1,994,066	13,997,300	1,994,066
20		Commercial Storage	710,000	107,793	710,000	107,793
	CCC Storage	Transaction, Line Item	100,000	12,110	100,000	12,110
						8.3
	II. Merchandising Activities					
21	A. Purchases	Lot	1,597	2,453	-	-
	1. Purchase (Commodity Office)	Lot	76,749	1,931	77,903	1,931
22	B. Sales and Donations					
	1. Cotton	Bale	4,055,000	89,654	2,545,000	89,654
	2. Grain and Bulk Commodities	Carlot (Invoice)	298,336	5,298	329,892	5,298
	3. Processed Commodities	Lot	25,178	1,853	22,769	1,853
	4. Donations (Processed Commodities)	Lot	47,611	18,270	49,908	18,270
	C. Other Merchandising Activities					
23	Proof of Exportation	Bale	2,045,000	397,346	320,000	397,346
24	Final Settlement, Cotton Sales	Bale	4,055,000	98,762	2,545,000	98,762
25	Cotton Catalog	Mat	34,000	8,770	34,000	8,770
26	Freight Forwarding	Shipping Authorization	2,700	679	2,700	679
						4.0
	III. Producer and Related Transactions					
27	A. Commodity Loans Made					
	1. Grain etc.	Note	678,640	9,918	619,890	9,918
	2. Cotton Form A	Bale	2,637,250	35,496	1,237,250	35,496
	3. Cotton Form C	Bale	2,018,900	157,983	2,072,125	157,983
28	Storage Facility and Equipment Loans Made	Form CCC-296 and 306	9,000	4,202	9,000	4,202
29	Certificates of Interest	Certificate	985,796	47,293	690,322	47,293
						14.6



[illegible]



CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FISCAL REQUIREMENTS

WORK UNIT NO.	ACTIVITY	UNIT OF MEASURE	Fiscal Year 1966		Fiscal Year 1967	
			Man-Years		Man-Years	
	TOTAL PROGRAM ACTIVITIES	Man-Years	1,301.7		1,230.3	
	AUTOMATIC DATA PROCESSING ACTIVITIES					
57	I. ADP Systems Analysis	Man-Years	52.0		52.0	
58	II. Programming	Man-Years	64.5		64.5	
59	III. Computer Operations and Control	Man-Years	59.1		59.1	
	TOTAL ADP ACTIVITIES	Man-Years	175.6		175.6	
	ADMINISTRATIVE ACTIVITIES					
60	I. Personnel Work	Man-Years	27.1		27.1	
61	II. Budget and Management Analysis	Man-Years	68.8		68.8	
62	III. Mail and Messenger	Man-Years	20.7		20.7	
63	IV. Other Administrative Activities	Man-Years	111.8		111.8	
	TOTAL ADMINISTRATIVE ACTIVITIES	Man-Years	228.4		228.4	
	TOTAL DIRECT LABOR, LESS LEAVE	Man-Years	1,705.7		1,634.3	
65	LEAVE, DIRECT LABOR	Man-Years	275.4		263.6	
	Anticipated productivity increase of 1% Man-Years		-		-19.0	
	TOTAL DIRECT LABOR	Man-Years	1,981.1		1,878.9	
	INDIRECT LABOR (Including Leave)					
66	I. Supervisory	Man-Years	131.1		131.1	
67	II. Secretarial	Man-Years	85.2		85.2	
	Total Indirect Labor	Man-Years	216.3		216.3	
	Total Commodity Offices & DPC	Man-Years	2,197.4		2,095.2	
	Management Field Office	Man-Years	59.9		59.9	
	Total Msn-Years	Man-Years	2,257.3		2,155.1	
12/1/65			Cost		Cost	
	Average Salary		\$ 6,952		\$ 7,130	
	Personnel compensation		15,692,750		15,365,863	
	Less man-year equivalent overtime				-37.6	
	Total objects 12 - 26		1,566,950		1,566,137	
	Total, Commodity Offices, Data Processing Center and Management Field Office		17,259,700		16,932,000	
	Washington Divisions and Offices		10,659,800		10,675,000	
	Used for Pay Costs (P.L. 89-301) in ASCS		1,937,000		-	
	Total ASCS Estimated Obligations		29,856,500		27,607,000	
	Transfer to Foreign Agricultural Service		1,732,000		1,748,000	
	Transfer to Consumer and Marketing Service		2,416,500		2,483,000	
	Total Estimated Obligations		34,005,000		31,840,000	
	Reserve:					
	Estimated unobligated - Sales Expansion		66,000		59,000	
	Contingency reserve		2,579,000		2,401,000	
	Total Reserve		2,645,000		2,460,000	
	LIMITATION		36,650,000		34,300,000	
	ASCS-BU-COB					



Employee Requirements and Productivity Rates
for the Fiscal Years 1964-1967

1/ Adjusted to reflect transfer to C&MS for comparability.
2/ Includes DPC and MFO; also overtime - all years.
3/ Includes Aerial Photo Labs and New York Fiscal Division field offices - all years.

STATUS OF PROGRAM

This account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service. The funds consist of direct appropriation, transfers from Commodity Credit Corporation, and miscellaneous advances and reimbursements from other sources. This consolidated account pays for all expenses of the National, State, commodity, and county offices.

The Agricultural Stabilization and Conservation Service State and county offices carry out the Agency's programs in the field. The farmer-elected county committees are responsible for local administration of all activities requiring direct dealings with farmers.

The commodity offices are responsible for such activities as loans, purchases, shipping, storage, commodity dispositions, export financing, fiscal examination, and accounting.

The principal activities include production adjustment programs, conservation programs, and price support programs and related activities.

There follows a brief description of some of the major programs for which this Agency is responsible and the volume of work performed in fiscal year 1965.

Acreage allotments and marketing quotas. These programs are authorized under Title III of the Agricultural Adjustment Act of 1938, as amended. The programs are designed to adjust production through acreage allotments and to adjust supplies through marketing quotas. Acreage allotments are mandatory each year for wheat and rice. For tobacco, peanuts, and cotton, acreage allotments implement marketing quotas. Marketing quotas must be proclaimed (1) when the total supply exceeds the reserve supply level in the case of tobacco, (2) for peanuts, each year, regardless of the supply situation, and (3) when the total supply reaches a specified level in relation to normal supply for wheat, cotton, and rice. Pursuant to the provisions of the Agricultural Act of 1964, marketing quotas were not proclaimed for the 1965 crop of wheat.

Public Law 89-12, approved April 16, 1965, provided for acreage poundage marketing quotas for tobacco. In a special referendum held May 4, 1965, growers approved acreage-poundage marketing quotas for flue-cured tobacco for the 1965, 1966, and 1967 marketing years.

	Number of <u>allotment farms</u>	Number of <u>counties</u>
Tobacco	771,314	929
Peanuts	112,241	474
Cotton	736,511	1,073
Rice	22,423	156

Agricultural conservation program. This program is carried out under the authority contained in sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The objectives, as stated in such Act, include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on the land.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

Number of requests for cost-sharing	2,290,720
Number of conservation materials and services orders	1,289,661
Number of referrals for technical service ..	420,580
Number of approvals, performance reports, and applications for payment	1,677,781
Number of pooling agreements	4,486

Conservation reserve program. Under this program, authorized by the Soil Bank Act, farmers voluntarily signed contracts to retire cropland from production and to devote it to conservation uses. Contracts were for periods of 3 to 10 years. The 1960 program was the last program for which new contracts were authorized.

Farmers receive annual payments for the contract period for the land taken out of production. They also receive assistance, in cash or conservation materials and services, to cover part of the cost of carrying out approved conservation practices.

Number of whole farm contracts in effect ...	120,682
Number of part-farm contracts in effect	45,284

Sugar Act program. The Sugar Act of 1938, as amended, is designed to (1) protect the welfare of the domestic sugar industry, (2) to provide adequate supplies of sugar for consumers at fair prices, and (3) to promote international trade.

Sugarcane is produced on the mainland in Louisiana and Florida. The off-shore domestic sugar cane area consists of Hawaii, Puerto Rico, and the Virgin Islands. The sugar beet producing area consists of 21 States.

Participating ownership tracts	60,773
Estimated planted acreage	2,237,300
Fields measured for abandonment	8,821

Special programs for feed grain and wheat. These programs are authorized by the Feed Grain Act of 1963 and the Agricultural Act of 1964. The main objectives of these programs are (1) to increase farm income, (2) prevent further buildup of surplus stocks and, if possible, to reduce such stocks, and (3) reduce program costs of price support activities. Both programs are voluntary. Participating farmers are eligible for diversion and price support payments.

	<u>Feed Grain</u>	<u>Wheat</u>
Number of farms signed up	1,500,137	10,443
Number of intended diverted acres	32,400,000	5,100,000

Price support program. Price support is mandatory for the commodities designated as "basic" in the Agricultural Adjustment Act of 1938, as amended - tobacco, peanuts, cotton, wheat, corn, and rice. Mandatory non-basic commodities included barley, oats, rye, grain sorghums, tung nuts and oil, honey, milk, butterfat, and the products of milk and butterfat. The Secretary is also authorized to make price support available on other than mandatory nonbasic commodities. Price support is available to producers through loans, payments, purchase agreements, and purchases.

Activities under the program include reinspection of farm-stored loans, processing loan repayments, acquiring commodities, and the sale of grain under the livestock feed program.

Reinspection of farm-stored loans	638,066
Number of loan repayments received	402,553
Number of farm-stored loans taken over	107,323
Number of reseals	245,846
Number of warehouse loans acquired	85,219

Wool Act program. This is an incentive program to increase production. Payments are made to producers to encourage the annual domestic production of about 300 million pounds of shorn wool. The National Wool Act of 1954 authorized the program as a measure for national security and in promotion of the general welfare.

Payments are set at a level to bring the national average price received by all producers up to the national incentive price. The incentive level, by law, cannot exceed 110% of parity.

Number of applications for payment	381,957
Number of assignments	4,115

CCC grain storage structures program. This program is authorized under the CCC Charter Act and is designed: (1) to make maximum use of commercial facilities in the storage of CCC owned commodities; (2) to provide Government facilities for storing CCC-owned commodities, primarily grain, when private facilities are inadequate; and (3) to help farmers finance storage facilities on their own farms.

Maintenance of sites and structures (No. sites)	230,650
Care of grain (No. bu. in storage)	431,430,602
Handling of grain (No. bu.)	145,577,841

Cropland conversion program. Section 101 of the Food and Agriculture Act of 1962 provided for carrying out this program under which farmers enter into long-term contracts to convert cropland to conserving uses. This land is shifted to income-producing pasture, farm forests, water storage, wildlife habitat, and outdoor recreational enterprises.

The program provides adjustment payments, land treatment practice cost-sharing, and related technical assistance under 5-year or 10-year agreements.

Number of agreements	5,727
Number of acres	334,300

(b) Sugar Act Program

Appropriation Act, 1966 and base for 1967	\$95,000,000
Budget Estimate, 1967	80,000,000
Decrease (in payments to sugar producers)	<u>-15,000,000</u>

PROJECT STATEMENT

Project	1965	1966 (Estimated)	Increase or Decrease	1967 (Estimated)
1. Payments to sugar producers:				
a. Continental beet area ..	\$55,672,441	\$54,651,138	-\$9,402,863(1)	\$45,248,275
b. Continental cane area ..	16,469,027	14,414,300	-1,493,273(2)	12,921,027
c. Offshore cane area	23,858,532	25,934,562	-4,103,864(3)	21,830,698
Total appropriation or estimate	96,000,000	95,000,000	-15,000,000	80,000,000

INCREASES AND DECREASES

The decrease of \$15,000,000 in payments is composed of items as shown below. Tax collections exceed total obligations by nearly \$545 million for the fiscal years 1938 through 1965.

(1) A decrease of \$9,402,863 for conditional payments to producers in the domestic beet area. The 1966 crop production is estimated at 3,025,000 short tons, raw value, which is 25,000 tons more than the 1965 crop is expected to produce. Total payments on this crop are estimated at \$50,248,275, of which \$5,000,000 will be paid from fiscal year 1968 funds.

(2) A decrease of \$1,493,273 for payments to producers in the domestic cane area. The 1966 crop production is estimated at 1,100,000 short tons, raw value, which is the same as the 1965 crop is expected to produce. Estimate provides for payments totaling \$14,094,300 on the 1966 crop, of which \$1,173,273 will be paid from fiscal year 1968 funds.

The above production estimates reflect the establishment of restrictive proportionate shares on both the 1966 sugarbeet crop and the 1966 sugarcane crop in the Mainland cane area.

(3) A decrease of \$4,103,864 for payments to producers in the offshore cane area. This is comprised of:

- a. Hawaii
 (\$10,881,600 available in 1966) +\$131,600
 The 1966 crop production is estimated at 1,200,000 tons, which is the same as the area's 1965 crop production estimate.

- b. Puerto Rico
 (\$15,054,562 available in 1966) -\$4,232,124
 Production estimate for the 1965-1966 crop is 1,000,000 tons, which is 103,000 tons more than the 1964-1965 crop estimate. 1966 funds available for payment on the 1965-1966 crop total \$2,554,562, and the estimate provides \$10,822,438 for completion of such payments.
- c. Virgin Islands
 (\$130,000 available in 1966) -3,340
 The 1966 crop production estimate of 10,000 tons is 5,700 tons more than the area's 1965 crop production estimate. This reduction in production, however, has been offset by the estimated increase in deficiency payments.

Total sugar production from 1966 crops is estimated at 6,335,000 short tons, raw value. This is an increase of 30,700 tons over the estimated total production from the 1965 crops. Production estimates for the 1966 crop are based upon an analysis and consideration of the following factors: (a) Statistical Reporting Service crop reports; (b) effective inventory of sugar on January 1, 1965; (c) probable production and consumption of sugar during 1965; (d) prospective effective sugar inventory on January 1, 1966; (e) prospective level of consumers sugar requirements for the calendar year 1966; and (f) quota provisions of the Sugar Act. To estimate payment requirements for the 1966 crop, each area's estimated production was multiplied by its weighted average rate of payment per ton from four recent crops. These crops were selected, for each producing area, on the basis of normal crop conditions having prevailed.

The number of payees under the Sugar Act program is shown in Table I. The estimate for the 1966 crop program compared with prior year data by areas on tonnage, production, total payments and average payments per ton is shown in Table II. The method of financing payments to producers is shown by crop years and fiscal years in Table III.

NUMBER OF PAYEES

Table I

Area	1964 Crop	1965 Crop (est.)	1966 Crop (est.)
Continental sugar beet area	39,780	42,500	43,300
Continental sugar cane area	5,884	6,000	6,000
Hawaii	660	805	805
Puerto Rico	11,500	11,250	11,250
Virgin Islands	113	100	100
Total	57,937	60,655	61,455

Sugar Program Data 1964-1966 Crop Years

Table II

	<u>1964 Crop Year</u> <u>(Actual)</u>	<u>1965 Crop Year</u> <u>(Estimated)</u>	<u>1966 Crop Year</u> <u>(Estimated)</u>	<u>Increase (+)</u> <u>or Decrease (-)</u> <u>1966 Crop</u> <u>Compared with</u> <u>1965 Crop</u>
<u>Beet Area</u>				
Tons produced	3,320,000	3,000,000	3,025,000	+25,000
Total payments	\$53,987,700	\$49,833,000	\$50,248,275	+\$415,275
Payment per ton	\$16.261	\$16.611	\$16.611	- -
<u>Mainland Cane Area</u>				
Tons produced	1,147,000	1,100,000	1,100,000	- -
Total payments	\$14,769,000	\$14,094,300	\$14,094,300	- -
Payment per ton	\$12.876	\$12.813	\$12.813	- -
<u>Hawaii</u>				
Tons produced	1,179,000	1,200,000	1,200,000	- -
Total payments	\$10,563,180	\$10,750,000	\$10,881,600	+\$131,600
Payment per ton	\$8.959	\$8.958	\$9.068	+\$0.110
<u>Puerto Rico</u>				
Tons produced	897,000	1,000,000	1,000,000	- -
Total payments	\$12,500,000	\$13,377,000	\$13,377,000	- -
Payment per ton	\$13.935	\$13.377	\$13.377	- -
<u>Virgin Islands</u>				
Tons produced	15,900	4,300	10,000	+5,700
Total payments	\$190,352	\$130,000	\$126,660	-\$3,340
Payment per ton	\$11.971	\$30.232	\$12.666	-\$17.566
<u>Total</u>				
Tons produced	6,558,900	6,304,300	6,335,000	+30,700
Total payments	\$92,010,232	\$88,184,300	\$88,727,835	+\$543,535
Payments per ton	\$14.028	\$13.988	\$14.006	+\$0.018

SUGAR PROGRAM FINANCIAL REQUIREMENTS

Table III

	1965	1966	1967	1968	
	Appropriation: 125/63305	Appropriation: 126/73305	Appropriation: 127/83305	Appropriation: 128/93305	Total
1963 Sugar Program:					
Payments to producers: (Deferred)					
Continental Sugar Beet Area	\$6,502,879				\$6,502,879
Continental Sugar Cane Area	2,020,027				2,020,027
Puerto Rico (1963-1964)	13,105,000				13,105,000
Total	21,627,906				21,627,906
1964 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area	49,169,562	\$4,818,138			53,987,700
Continental Sugar Cane Area	14,449,000	320,000			14,769,000
Hawaii	10,563,180				10,563,180
Puerto Rico (1964-1965)		12,500,000			12,500,000
Virgin Islands	190,352				190,352
Total, 1964 program payments	74,372,094	17,638,138			92,010,232
1965 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area		49,833,000			49,833,000
Continental Sugar Cane Area		14,094,300			14,094,300
Hawaii		10,750,000			10,750,000
Puerto Rico (1965-1966)		2,554,562	\$10,822,438		13,377,000
Virgin Islands		130,000			130,000
Total, 1965 program payments		77,361,862	10,822,438		88,184,300
1966 Sugar Program:					
Payments to producers:					
Continental Sugar Beet Area			45,248,275	\$5,000,000	50,248,275
Continental Sugar Cane Area			12,921,027	1,173,273	14,094,300
Hawaii			10,881,600		10,881,600
Puerto Rico (1966-1967)				13,377,000	13,377,000
Virgin Islands			126,660		126,660
Total, 1966 program payments			69,177,562	19,550,273	88,727,835
Total Conditional Payments to Producers ..	96,000,000	95,000,000	80,000,000		
Total, Appropriation or Estimate	96,000,000	95,000,000	80,000,000		

STATUS OF PROGRAM

The sugar program is designed to accomplish three main purposes. One is to provide adequate supplies of sugar for U. S. consumers at fair prices. Another is to maintain a healthy domestic sugar producing and processing industry which could provide a base for ready expansion of U.S. sugar production if foreign supplies should be cut off. Another is to promote international trade.

The following program activities are conducted:

Sugar requirements, marketing and import quotas, and marketing allotments are established.

1. Sugar Requirements and Quotas

Sugar requirements and quotas for the calendar years 1964 and 1965 are shown in Table I.

2. Marketing Allotments

The Sugar Act provides that the quota for an area shall be allotted to persons who market or import sugar when found necessary to:

(a) insure orderly flow of sugar, (b) prevent disorderly marketing, and (c) afford interested persons an equitable opportunity to market sugar within an area's quota. For Calendar year 1965 the Domestic Beet Sugar and Mainland Cane Sugar area quotas were allotted, as well as the direct-consumption portion of the mainland quota for Puerto Rico. Also, public hearings were held to allot the 1966 quotas (direct-consumption portion only for Puerto Rico) for such areas.

3. Domestic Sugar Prices

An important purpose of the law is to stabilize U.S. sugar prices. The law was first enacted following a history of wildly fluctuating and disastrously low prices in the U.S. The following charts show that the Act has been effective in stabilizing U.S. prices. During the period (1963) of tight supplies and soaring prices in the world market U.S. prices did not rise sharply until after world prices skyrocketed. Then they were maintained at levels below world prices. They returned to more normal levels, while world prices declined drastically. For example, the monthly spot prices of domestic raw sugar at New York averaged 7.90 and 6.49 cents per pound, respectively, during fiscal years 1964 and 1965. For the same years, world prices averaged 8.64 and 3.06 cents per pound.

Proportionate Share Determinations

The Secretary determines whether sugar production from any crop of sugarbeets or sugarcane will be greater than the quantity needed to enable the area to meet the quota and provide a normal carryover. When production plus carryover is determined to be greater than needed, restrictive proportionate shares are established for each farm.

Restrictive proportionate shares were in effect for both the Mainland Cane and Domestic Beet Sugar areas for the 1965 crop. Restrictions in the Mainland Cane area resulted in an average cut-back in acreage of about 13 percent from the 1964 acreage level.

A National acreage limitation of 1,375,000 acres was established for the 1965 crop of sugarbeets. This limitation included 118,815 acres previously committed to localities under the National Sugarbeet Acreage Reserve. The reserve acreage was not subject to cut-back in 1965. Growers not involved in the National Reserve were cut back on an average of about 10 percent from their 1964 acreage levels.

Restrictive proportionate shares applicable to the 1966 crop in the mainland beet and cane sugar areas were announced in December, 1965.

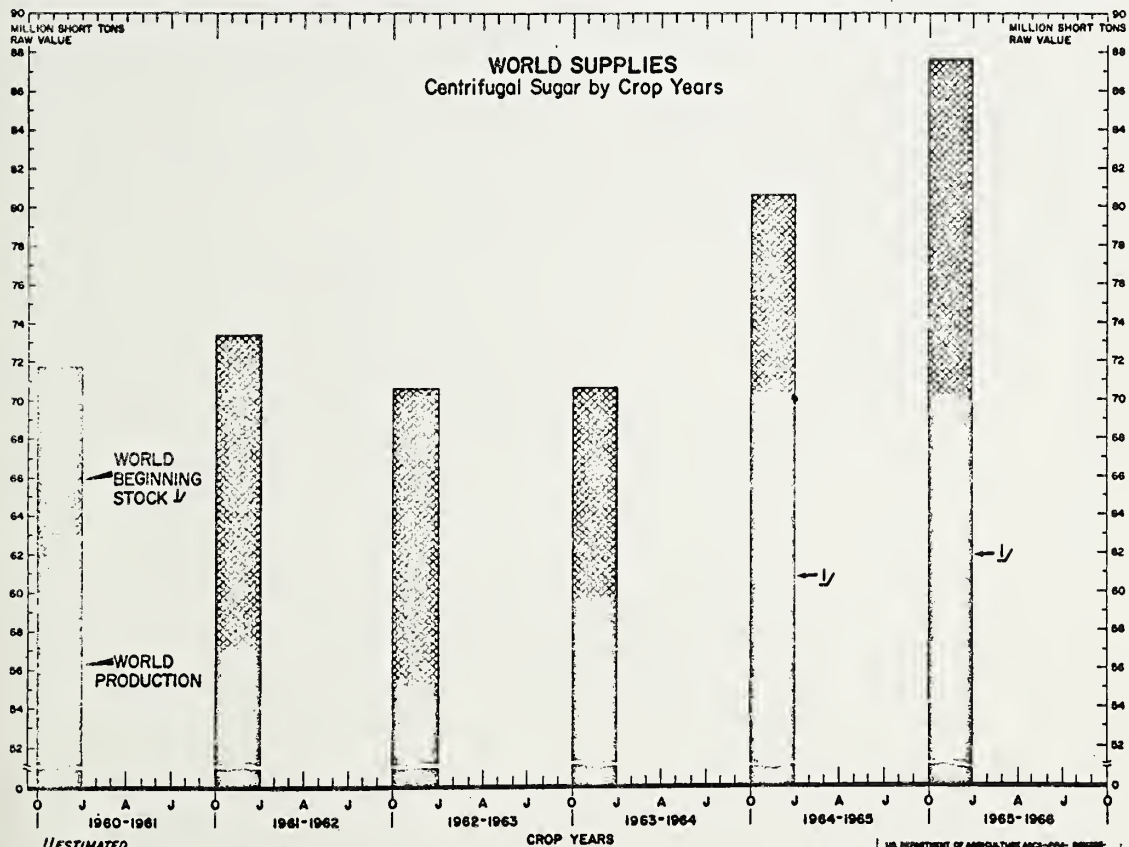
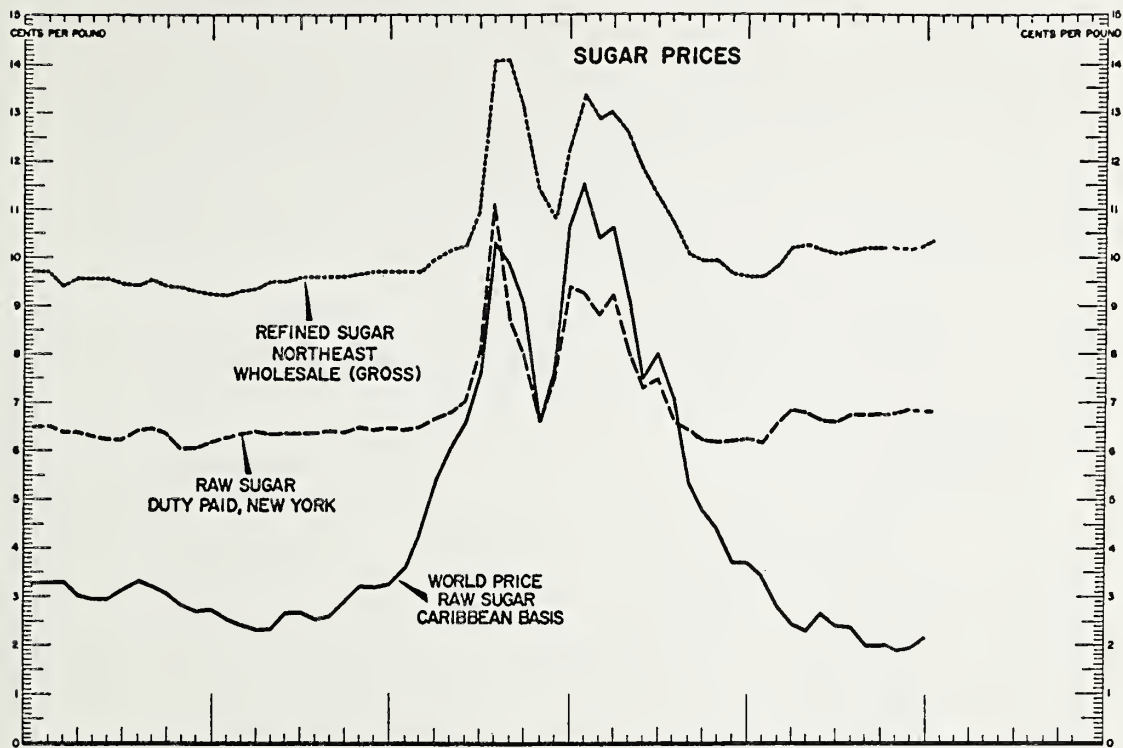
National Sugarbeet Acreage Reserve

The Sugar Act directs the Secretary to reserve annually during the period 1962-66, for domestic sugarbeet expansion, enough acreage to produce 65,000 tons of sugar. Commitments in effect from the National Sugarbeet Acreage Reserve total 171,815 acres, representing an expectant yield of 325,000 tons of sugar.

Fair Wage and Price Determinations

The Sugar Act authorizes the Secretary to determine fair and reasonable minimum wage rates for fieldworkers, and fair prices for sugarcane and sugarbeets. These determinations are issued after investigation, notice, and public hearing. The wage determinations for the sugarbeet area, Louisiana, Florida, Puerto Rico, and Hawaii are on a continuing basis and are to remain in effect until amended, superseded or terminated. For the beet area and the Virgin Islands, wage determinations are issued annually. Public hearings are held annually for Louisiana and Florida to review wage rates for these States. Fair price determinations for the sugarbeet area, Louisiana, Florida, Puerto Rico, Virgin Islands and Hawaii, are issued annually. There has been considerable activity during the year in developing fair wage and price determinations.

SUGAR SUPPLIES AND PRICES OCTOBER 1960 TO DATE



ESTIMATED

U.S. DEPARTMENT OF AGRICULTURE AEC-3-770-1000 11/15/65

Studies, Surveys and Reports

The first phase of the field study of producer returns, costs, investment and related production and man-hour data of the 1964 crop of sugarbeets was completed during fiscal year 1965. The second phase of the field study was completed in December, 1965.

Formal reports of recent cost studies of Puerto Rico, Florida, and Louisiana were completed and issued by the end of calendar year 1965.

Sugar Reports, a monthly publication of ASCS, was issued throughout the 1965 fiscal year. This publication contains the latest available information for sugar on foreign quotas and importations, domestic quotas and marketings, supply and price situation, analysis of domestic and world market situations, and other data of interest to consumers and the sugar industry.

Payments to Producers

Payments are made to domestic producers of sugarbeets and sugarcane who comply with certain requirements. These relate to compliance with proportionate shares, nonemployment of child labor, payment of fair and reasonable prices for sugarbeets or sugarcane purchased from other producers.

Payments are also authorized for bonafide abandonment of planted acreage and crop deficiencies from natural disasters.

Pursuant to Title III of the Sugar Act of 1948, conditional payments on the 1964 crops totaling \$92,010,232 were made. Payments were made to about 57,937 sugarbeet and sugarcane producers. These producers were located in 26 States, Puerto Rico, and the Virgin Islands.

International Sugar Agreement

In fiscal year 1965, the International Sugar Agreement again operated with only its administrative provisions in effect. The economic and regulatory provisions of the Agreement became inoperative on January 1, 1962. The International Sugar Council continued to function but devoted its activities mainly to discussions of the bases and framework of a new International Sugar Agreement.

An International Sugar Conference, under the auspices of the United Nations, began deliberations at Geneva, Switzerland, on September 20, 1965, and adjourned October 14. At the Conference it was agreed to extend by protocol, for one year, the existing International Sugar Agreement, and to continue work on negotiations for a new Agreement.

World raw sugar prices declined drastically during the fiscal year, falling from an average price in July 1964 of 4.80 cents per pound to 1.96 cents in June 1965, the closing fiscal year month. The price decline reflected 1964-65 world sugar crop production, estimated at 70.1 million short tons, raw value. This is by far an all-time record production and exceeds the 1963-64 crop (59.4 million tons) by 18 percent.

Receipts

Receipts under the sugar program exceed Government outlays. The Sugar Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct-consumption. The excise tax on sugar, under Public Law 87-535, was extended to June 30, 1967.

Public Law 87-535 also provided for an import fee on all foreign sugar (except that from the Philippines' basic quota) marketed in the continental United States. This fee was designed to absorb part or all of the difference between the domestic and world market prices.

Sugar marketed against the global quota (Cuban reserve quota) was subject to the full quota premium payment. Sugar marketed against specific foreign quotas assigned under the Act was subject to an import fee of 10, 20, and 30 percent of the full fee, in the years 1962, 1963, and 1964 respectively. The statutory authority for the import fee expired December 31, 1964.

From January 25, 1963, to August 12, 1964, the import fee was zero as the prevailing United States price for raw sugar averaged substantially less than the prevailing world market price. However, effective August 13, 1964, an import fee was made applicable to foreign sugar subsequently authorized or approved for importation during calendar year 1964. This came about as the price relationships between domestic and world prices gradually changed (late July and early August 1964). This created a "quota premium" for foreign sugar in the U.S. market of such significance as to require the reimposition of the import fee.

Import fee collections on basic quota raw sugar, during the period August 13 to December 31, 1964, totaled \$3,857,825.00. No import fee was collected on global quota raw sugar as it had all been approved for importation before the end of January 1964 -- the operation which made possible the lower domestic sugar prices in 1964.

Table II shows taxes collected compared with obligations under the sugar program.

SUGAR REQUIREMENTS AND QUOTAS - CALENDAR YEARS 1964 AND 1965

Table I

Production Area	1964 Quotas (Final)	1965 Quotas (As of Dec. 28, 1965)
	<u>Short tons, Raw Value</u>	
Domestic beet sugar	2,698,590	3,025,000
Mainland cane sugar	911,410	1,100,000
Hawaii	1,110,000	1,136,753
Puerto Rico	<u>a/ 915,000</u>	<u>a/ 815,000</u>
Virgin Islands	15,832	<u>a/ 15,232</u>
Philippines	1,173,521	1,178,216
Other foreign countries	<u>1,471,786</u>	<u>2,651,582</u>
Total quotas	8,296,139	9,911,783
Cuban reserve (global) quota		
Authorized for purchase	1,000,000	
Not authorized	<u>503,861</u>	
Total requirements	9,800,000	9,911,783

a/ Adjusted for deficits. Unadjusted quota for Puerto Rico was 1,140,000 short tons, raw value, in each of calendar years 1964 and 1965. Unadjusted quota for Virgin Islands was 15,232 short tons, raw value. Despite deficits declared, domestic areas retain right to market the amounts of their unadjusted quotas.

TABLE II

Fiscal	Sugar Tax Collections				Total ^{1/} Obligations
	Excise Tax	Import Com- pensating Tax	Sugar Import Fee	Total	
1938-1947	\$618,711,749	\$41,097,312		\$659,809,061	\$481,880,677
1948-1957	776,786,154	42,102,459		818,888,613	631,470,891
1958	85,911,000	4,957,798		90,868,798	67,662,500
1959	86,378,000	5,683,187		92,061,187	76,000,000
1960	89,856,000	5,099,473		94,955,473	71,500,000
1961	91,818,000	1,730,380		93,548,380	74,500,000
1962	96,636,000	1,328,980		97,964,980	78,000,000
1963	99,903,000	762,600	\$37,294,109	137,959,709	79,547,700
1964	95,411,000	370,570		95,781,570	79,728,000
1965	97,109,000	649,920	3,857,825	101,616,745	98,288,476
Subtotal	2,138,519,903	103,782,679	41,151,934	2,283,454,516	1,738,578,244
1966 (Est.)	100,000,000	748,000		100,748,000	97,352,930
1967 (Est.)	101,500,000	619,000		102,119,000	82,457,100
Total	2,340,019,903	105,149,679	41,151,934	2,486,321,516	1,918,388,274

Tax collections exceed total obligations in the amount of \$544,876,272 for fiscal years 1938 through 1965.

^{1/} Includes operating expenses.

(c) Agricultural Conservation Program

	On Direct Appropriation basis	On Program Authorization basis
Appropriation Act, 1966, and base for 1967	\$220,000,000	\$220,000,000
Budget Estimate, 1967	<u>220,000,000</u>	<u>100,000,000</u>
Decrease (in cost-sharing assistance to farmers).....	<u>- -</u>	<u>-120,000,000</u>

The Agricultural Conservation Program is operated on a program or crop-year basis. Cost-sharing is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1965 Agricultural Conservation Program which closed December 31, 1965, were made available in the Department of Agriculture and Related Agencies Appropriation Act, 1966. That Act also authorized the formulation and administration of a \$220 million program for 1966. This estimate provides program funds for carrying out the program authorized in that Act.

PROJECT STATEMENT

Project	1965	1966 Estimate	Increase or Decrease	1967 Estimate
1. Cost-sharing assistance to farmers	\$215,338,083	\$225,421,237	-\$5,421,237	\$220,000,000
Adjustments:				
Difference in amount used for purchase of conservation materials and services from prior fiscal year appropriation for current program and amount used for such purposes from current year.....	+7,301,917	-2,821,237	-12,178,768	-15,000,000
Received by loan from CCC..	-47,000,000	-49,000,000	+15,000,000	-34,000,000
Repayment of CCC loan	+49,360,000	+46,400,000	+2,600,000	+49,000,000
Total appropriation or estimate.....	225,000,000	220,000,000	- -	220,000,000

Advance Authorization for the 1967 Agricultural Conservation Program

An advance authorization of \$100 million is proposed for the 1967 program year. This amount does not include administrative expenses. The proposed 1967 authorization is a reduction in the program level of \$120,000,000 from the 1966 authorization. This amount will be adequate to permit the Government to share with farmers the cost of a substantial number of needed conservation practices that will have minimal stimulating effect on the output of farm commodities. The proposed reduction does not affect the amount of funds required to be appropriated for the fiscal year 1967, since the appropriation for the 1967 program will be requested in the fiscal year 1968.

STATUS OF PROGRAM

Program Accomplishments

The program has provided assistance on about 1.1 million farms a year (almost 2.5 million different farms in five years) in carrying out needed soil, water, woodland, and wildlife conservation practices to advance farm and watershed conservation plans. Included in the 1.1 million farms have been about 0.2 million new participants a year for the last three years. A large portion of the latter group were persuaded to undertake one or more conservation practices through the personal interests of ASC community committeemen (working without pay) and the stimulation of "Special ACP Projects."

By continued emphasis on the establishment of long-term protective vegetative cover practices, de-emphasis of assistance for certain practices most likely to be associated with crop production increases, and special consideration of the need for land treatment measures in watershed program areas and other rural areas development projects, these accomplishments (as illustrations) were attained under the 1964 program:

1. Enduring-type practices received 89 percent of the cost-share funds.
2. The portion of funds going for permanent type vegetative cover increased, while the portion for drainage practices decreased to the lowest dollar and percentage level in many years.
3. About \$3 million of ACP cost-sharing funds are going each year into 10 resource conservation and development project areas and 11 rural renewal program counties.
4. About \$23 million of ACP cost-sharing funds involving about 135,000 farms a year, are going into various watershed program areas to advance land treatment measures in those watersheds.
5. Group enterprise projects to solve community conservation problems are increasing and involve over 2500 agreements a year and about \$3.5 million of ACP cost-shares.

The Economics of Conservation Work

The economic phase of conservation work requires continued attention. There is usually a loss of immediate income when a conservation system of farming is adopted. Expected returns from some types of needed conservation measures (for example, terrace systems, erosion control structures, and certain forestry improvement measures) will not equal their cost for a long time. When permanent or rotation cover or strip-cropping is introduced into an intensive cropping system, saleable crop production and resulting farm income are usually substantially decreased. There are greater risks in some types of needed work than farmers and lenders are generally willing or able to assume.

Farmers and the Public Jointly Invest and Jointly Benefit

Farmers and other citizens have recognized the necessity of jointly bringing their resources to bear on conservation problems. The Agricultural Conservation Program affords a means by which all the people may bear a part of the costs of those measures that would not otherwise be carried out at the rate needed to meet the public interest. It assists farmers and ranchers -- who match these public funds from their own resources -- to protect the public's interest in the Nation's soil, water, woodland, and wildlife resources by sharing with them the cost of carrying out conserving practices more rapidly and to a fuller extent than would be practicable through usual farm management practices.

Local People Develop Their Own Program

Development of the Agricultural Conservation Program begins at the local or county level. The Agricultural Stabilization and Conservation county committee, with the assistance of the County Extension Agent and representatives of the Soil Conservation Service, Forest Service, and other local groups interested in conservation, make recommendations to the State ACP Development Group.

These recommendations are used as the basis to formulate joint recommendations to the Agricultural Stabilization and Conservation Service in Washington. ASCS along with the Economic Research Service, Rural Community Development Service, Forest Service, and Soil Conservation Service, develop and recommend to the Secretary a national program. State and local people then develop their programs within the structure of the national program authorized by the Congress and approved by the Secretary.

Local People Administer Their Program

The Agricultural Conservation Program is administered locally by Agricultural Stabilization and Conservation county committees which are composed of resident farmers elected by farmers they serve. County committees are supervised by Agricultural Stabilization and Conservation State Committees composed of resident farmers appointed by the Secretary of Agriculture. The local County Agent is ex officio a member of the county committee and the State Director of Extension holds a like position on the State committee.

State, county and community committeemen are responsible for the field administration of the program and work with farmers to get the greatest volume of conservation performed on the land by the farmers themselves. The responsibility for technical determinations in the field regarding specified practices is assigned to the Soil Conservation Service and the Forest Service.

The Program for 1966

The 1966 program is basically the same as the 1964 and 1965 national programs, but even greater attention has been given to directing assistance where it will get the most conservation for the funds spent. At the same time it helps meet critical conservation needs without materially increasing crop production. State committees allocated the funds available for conservation practices among the counties consistent with the needs for enduring conservation. Particular consideration is being given to the furtherance of watershed conservation programs sponsored by local people and organizations and to the establishment of permanent vegetative cover needed in converting cropland from crops in surplus.

The maximum Federal cost-share limitation for a person remains at \$2,500 (except pooling agreements in which case the limitation is \$10,000) the same as for 1965.

Distribution of Funds

Funds available for practice cost-sharing are distributed among States in accordance with their conservation needs, except for the minimum allotment provision contained in Section 15 of the Soil Conservation and Domestic Allotment Act, as amended. Funds for the Naval Stores Conservation Program are subtracted before the conservation needs formula is applied. The amount for Naval Stores has been determined in the same manner since 1948 and is varied in relation to funds available for cost-sharing assistance to farmers.

1964 Program Data

Participation under the 1964 Agricultural Conservation Program

Item	Unit	Participating <u>1/</u>
Farms receiving cost-shares ...	Number	1,089,852 <u>2/</u>
Farmland	1,000 acres	390,021
Cropland	1,000 acres	160,011
Noncrop open pasture and range.	1,000 acres	165,233

1/ Includes the United States, Puerto Rico, the Virgin Islands, and the Supplemental (Emergency) Agricultural Conservation Program.

2/ 2,437,223 farms have participated during one or more of the program years 1960 through 1964.

Extent of Selected Conservation Measures Performed Under the 1964 Agricultural Conservation Program and Accomplishments Under the Agricultural Conservation Programs - 1936-1964. Includes Supplemental (Emergency) Agricultural Conservation Programs.

Practice	Unit	Extent Under 1964 Program	Total accomplishments 1936-1964
Water storage reservoirs constructed to distribute grazing, control erosion, and conserve irrigation water and wildlife	1,000 structures	64	1,874
Terraces constructed to control erosion or conserve water	1,000 acres	597	28,069
Stripcropping systems established to control wind or water erosion and conserve water	1,000 acres	412	112,190
Permanent sod waterways established to control erosion and safely dispose of excess runoff	1,000 acres	37	848
Enduring vegetative cover established or improved to control erosion, conserve water, and for land-use adjustment	1,000 acres	6,444	377,309
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control	1,000 acres	1,665	49,983
Water supply and management on existing cropland and pasture through:			
Better irrigated land practices ..	1,000 farms	25	Similar data lacking
Better drainage practices	1,000 farms	54	
Trees and shrubs planted for forestry purposes, erosion control, or land-use adjustment	1,000 acres	205	4,039
Forest tree stands improved for forestry purposes and erosion control	1,000 acres	157	3,151

(d) Appalachian Region Conservation Program

Appropriation Act, 1966 and base for 1967	- -
Budget Estimate, 1967	\$4,375,000
Increase	<u>+4,375,000</u>

PROJECT STATEMENT
(On basis of available funds)

Note: The following project statement is presented on a funds available basis, and the amount for 1966 reflects the carryover from the prior year. These funds were made available late in the fiscal year 1965. Only administrative expenses, therefore, were incurred in the development of program plans and procedures and for holding instructional meetings with State and County personnel to acquaint them with the program provisions and procedures. Taking carryovers into account, the 1967 estimates reflect a decrease of \$2,000,000 from estimated program funds available in 1966.

Project	1965	1966	Increase	1967
		Estimated	or Decrease	Estimated
1. Appalachian Region Conservation Program:				
a. Cost-sharing assistance to farmers	- -	\$6,375,000	-\$2,000,000	\$4,375,000
Total program payments	- -	6,375,000	-2,000,000	4,375,000
Balance brought forward	- -	-6,785,000	+6,785,000	4,375,000
Balance carried forward	\$6,785,000	- -	- -	- -
Advanced to:				
Expenses, Agricultural Stabilization and Conservation Service	215,000	410,000	-410,000	- -
Total appropriation or estimate	7,000,000	- -	+4,375,000	4,375,000

EXPLANATION OF ESTIMATE

A total of \$17,000,000 was authorized in Section 203 of the Appalachian Regional Development Act of 1965 for this program. Of this, \$7,000,000 was appropriated in the Second Supplemental Appropriation Act of 1965, and this estimate of \$4,375,000 plus \$418,000 carried under the appropriation item "Expenses, ASCS", totals \$11,793,000 leaving a balance of \$5,207,000 in the amount authorized.

These funds are required for cost-sharing assistance to landowners, operators and occupiers in establishing measures that will provide land stabilization; erosion and sediment control; reclamation; and conservation and development of soil, water, woodland, wildlife, and recreation resources. Each participant will be limited to 80 percent of the cost of carrying out changes in land use and conservation treatment on not more than 50 acres of land occupied by the participant.

As of January 5, 1966 programs have been worked out and approved by the Department and the Appalachian Regional Commission for the States of Pennsylvania, West Virginia, Tennessee, and Georgia. Other States are in degrees of progress that should result in early approval of State programs.

BACKGROUND

Section 203 of the Appalachian Regional Development Act of 1965 authorized a program of \$17 million to carry-out land stabilization, erosion and sediment control, and reclamation through changes in land-use, and conservation treatment including the establishment of practices and measures for the development of, soil, water, woodland, wildlife, and recreation resources.

Plans are developed by each State Government in cooperation with the State Agricultural Conservation Development Group which consists of the State ASC Committee (including the State Director of Extension), the State conservationist of the Soil Conservation Service, and the Forest Service official having jurisdiction over farm forestry in the State. The Chairman of the State ASC Committee as Chairman of the State ACP Development Group is the point of contact with the State government officials. Programs are submitted through the Appalachian Regional Commission to the United States Department of Agriculture for the approval of the Secretary.

The Appalachian Region Conservation Program will be administered in the Field by State and County Committeemen under general direction and supervision of the Administrator, ASCS. Technical Assistance is furnished by the Soil Conservation Service and the Forest Service.

This is a long-term program to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Contracts with such people will provide for land stabilization, erosion and sediment control, reclamation through changes in land use, and the establishment of measures for the conservation and development of the Region's soil, water, woodland, wildlife and recreation resources. This program supplements other conservation programs of the Department in the designated counties of those States in the Appalachian Region. Cost-sharing agreements are limited to periods of not less than 3 years nor more than 10 years. The cost-share may not exceed 80 percent of the treatment cost on not more than 50 acres of land for any person.

It is anticipated that about 7,300 agreements will be made covering about 255,000 acres during the period ending June 30, 1966.

(e) Cropland Conversion Program

Appropriation Act, 1966, and base for 1967.....	\$7,500,000
Budget Estimate, 1967.....	<u>10,000,000</u>
Increase (in appropriation for program payments).....	<u>+2,500,000</u>

PROJECT STATEMENT

	1965	1966	Increase or	1967
		Estimate	Decrease	Estimate
Adjustment, cost-sharing and technical assistance:				
1964-1965 Programs.....	\$15,000,000:	--	--	--
1966 Program.....	--	-\$7,500,000:	-\$7,500,000:	--
1967 Program.....	--	--	+10,000,000:	\$10,000,000
Total appropriation or estimate:	15,000,000:	7,500,000:	+ 2,500,000:	10,000,000
			(1):	

(1) A net increase of \$2,500,000 for program payments and technical assistance as follows:

(a) A decrease of \$7,500,000 for payments for adjustment in land use, cost-sharing on land treatment measures, and for furnishing technical assistance under the 1966 Cropland Conversion Program. An appropriation is not required in fiscal year 1967 to carry out the 1966 Cropland Conversion Program, since funds appropriated in fiscal year 1966 will be used to liquidate obligations on agreements to be entered into under this program.

(b) An increase of \$10,000,000 to continue for 1967 the pilot Cropland Conversion Program, as authorized under existing legislation. More acreage continues to be used for producing row crops and small grains than necessary for national requirements. There is a need for more land in grass, trees, public recreational facilities or wildlife habitat, than now is being used for these purposes. The Cropland Conversion Program provides a means for helping farmers shift to these other needed uses some of their cropland which now is being used to produce crops in over-supply. The estimate of \$10 million will permit a continuation of the pilot program to shift land from cropland to other income producing uses. The estimates for the Cropland Adjustment Program reflect a reduction of \$10 million below the \$225 million level authorized by law to offset the continuation of this program.

STATUS OF PROGRAM

A pilot 1963 cropland conversion program was initiated late in 1962 under authority of Section 101 of the Food and Agriculture Act of 1962. This legislation authorizes the Government to enter into agreements with farmers and ranchers, requiring payments of not more than \$10 million in any calendar year. This pilot program permitted the testing in selected counties of the feasibility of a long-range land-use adjustment program. The purpose was to convert land regularly used in the production of row crops, small grains, or tame hay and cropland which is not well suited for crop use. This land was to be converted to income-producing pasture, farm forests, water storage, wildlife habitat, and outdoor recreational enterprises. The program provided for adjustment payments, land treatment practice cost-sharing, and related technical assistance, under 5-year and 10-year agreements.

The pilot cropland conversion program was offered in 41 counties of 13 States. These areas involved differing geographic and agricultural situations. In addition, offers were made to enter into a limited number of agreements in other States and counties to convert cropland to recreational enterprises only.

This new approach was designed to provide the best opportunity for bringing about a permanent shift of cropland to other and more needed uses. It would not idle the land. Instead, it would divert the land use from crops in excess supply. At the same time, it would continue to support a farm family and contribute to the economy of the community and country.

The payments made under this program are not rental payments nor are they designed as income replacement payments. Instead, they help the farmer convert cropland to other uses which he wishes to make of the land. Authority was given for the farmer to elect to take the adjustment payments due him either as a lump sum to help him change more rapidly to a different type of farm enterprise or on an annual basis up to five years.

The Congress authorized an appropriation of \$15 million in fiscal year 1965 for a continuation of the pilot program in 1964 and 1965. Under the 1964-1965 Cropland Conversion Program, 101 counties in 36 States have been designated as test areas.

As of June 18, 1965, over 5,575 agreements have been approved designating the conversion of 324 thousand acres of cropland to grassland, trees, wildlife and recreation. Estimated obligations for these agreements are about \$14.6 million, composed of \$11.7 million for adjustment payments, \$2.8 million for cost-share payments, and \$100 thousand for technical assistance.

(f) Cropland Adjustment Program

Appropriation Act, 1966, and base for 1967	- -
Budget estimate, 1967	\$200,000,000
Increase	<u>+200,000,000</u>

SUMMARY OF INCREASES

	1966 Available	Increase	1967 Estimate
Adjustment, cost-sharing and technical assistance	a/	\$170,000,000	\$170,000,000
Repayment of advance from Commodity Credit Corporation	- -	30,000,000	30,000,000
Total	- -	<u>200,000,000</u>	<u>200,000,000</u>

PROJECT STATEMENT

Project	1965	1966 Estimate	Increase	Estimate
1. Adjustment, cost-sharing and technical assistance	- -	a/	+\$170,000,000	\$170,000,000
2. Repayment of advance from Commodity Credit Corporation	- -	- -	+30,000,000	30,000,000
Total	- -	- -	<u>+200,000,000(1)</u>	<u>200,000,000</u>

a/ \$30 million, consisting of \$22 million for payments and \$8 million for expenses of this program were made available from CCC funds in 1966 as authorized by the Food and Agriculture Act of 1965.

EXPLANATION OF INCREASE

The increase of \$200 million is composed of the following:

a. An increase of \$170,000,000 for adjustment and cost-sharing payments and technical assistance for the Cropland Adjustment Program authorized in the Food and Agriculture Act of 1965. Of this amount, \$148,000,000 is required for the 1966 program as follows:

Cost-sharing assistance	\$13,000,000
Advanced adjustment payments	12,000,000
Annual adjustment payments	123,000,000
Total	<u>148,000,000</u>

It is estimated that 7 million acres of cropland will be diverted to approved uses at an average cost share of about \$5 per acre. It is anticipated that more than one-half of the cost share payments will be made in the fiscal year 1966.

The remaining \$22,000,000 is required in 1967 for cost-sharing on the 1967 Cropland Adjustment Program (including technical assistance). It is estimated that an additional 13 million acres of cropland will be diverted to approved uses under

the 1967 program. These funds are required to finance the cost-sharing assistance during the period January-June 1967. Additional costs for this program, both adjustment payments and cost-sharing assistance, will be requested in the 1968 budget estimates.

b. An increase of \$30,000,000 to repay the Commodity Credit Corporation for funds advanced to finance this program in the fiscal year 1966. The Food and Agriculture Act of 1965 authorized the transfer of funds from the Commodity Credit Corporation to finance, during 1966, the costs of the Cropland Adjustment Program. It is estimated that these costs will be \$30,000,000, consisting of \$22,000,000 for cost-sharing assistance and \$8,000,000 for expenses relating to this program. Requirements for administrative expenses are discussed under the heading "Expenses, Agricultural Stabilization and Conservation Service".

The following project statement reflects available funds in this program in 1966 and proposed for 1967:

PROJECT STATEMENT
(on basis of available funds)

Item	1965	1966 Estimate	Increase	1967 Estimate
1. Adjustment, cost-sharing, and technical assistance, 1966 program	- -	\$22,000,000	+\$126,000,000	\$148,000,000
2. Cost-sharing and technical assistance, 1967 program	- -	- -	+22,000,000	22,000,000
3. Transfers to Expenses, ASCS	- -	8,000,000	-8,000,000	- -
4. Repayment of advance from Commodity Credit Corporation	- -	- -	+30,000,000	30,000,000
Total	- -	30,000,000	+170,000,000	200,000,000

EXPLANATION OF PROGRAM

The Cropland Adjustment Program is authorized by title VI of the Food and Agriculture Act of 1965. Its purpose is to assist farmers, through long-term agreements, to divert land from the production of unneeded crops to uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources. The program will also establish, protect and conserve open spaces and natural beauty and prevent air and water pollution.

In return for diverting the cropland to approved uses, producers will receive adjustment payments. They also will be eligible to receive cost-sharing assistance for establishing approved conservation uses. The period of a contract cannot be less than 5 years not more than 10 years.

The Secretary is authorized to transfer funds, appropriated for carrying out the program, to any other Federal agency or to States or local governmental agencies for use in acquiring cropland to be permanently retired from crops to the preservation of open spaces and natural beauty, the development of wildlife, and recreational facilities and the prevention of air and water pollution. The funds will also assist them to apply conserving practices on the land at costs not greater than those under agreements entered into with producers.

Agreements signed in any fiscal year may not cause additional annual payments in excess of \$225 million in any calendar year plus any amounts by which agreements entered into in prior fiscal years require payments in amounts less than authorized for such prior fiscal years. For the 1967 program, this level is set at \$215 million.

Adjustment payments can be made in annual payments, a lump sum, or in other installments. Payments made in advance of performance will be discounted at a rate of 5% per year.

Appropriations for this program are transferred to the Commodity Credit Corporation for making necessary disbursements by sight drafts to producers.

CROPLAND ADJUSTMENT PROGRAM
(in millions of dollars)

	<u>FY 1966</u>	<u>FY 1967</u>	<u>Total</u>
1966 Program Payments:			
Cost-sharing	\$22	\$13	\$35
Adjustment	- -	123	123
Advanced adjustment payments	- -	12	12
Subtotal	<u>22</u>	<u>148</u>	<u>170</u>
1967 Program Payments:			
Cost-sharing	- -	22	22
Adjustment	- -	- -	- -
Subtotal	<u>- -</u>	<u>22</u>	<u>22</u>
Total Program	22	170	192
Transfers to Expenses, ASCS	<u>8</u>	<u>- -</u>	<u>8</u>
Grand Total	<u>30</u>	<u>170 1/</u>	<u>200</u>

1/ Excludes \$30 million for repayment of advances made by Commodity Credit Corporation to finance the program in fiscal year 1966.



(g) Conservation Reserve Program

Appropriation Act, 1966 and base for 1967	\$146,000,000
Budget Estimate, 1967	<u>143,000,000</u>
Decrease (in amount requested for program payments to producers) ...	-3,000,000

PROJECT STATEMENT
(on the basis of appropriations)

Project	1965	1966 Estimate	Increase or Decrease	1967 Estimate
Program payments				
Annual rental	\$193,942,366	\$146,000,000	-\$3,000,000	\$143,000,000
Practice	57,635	- -	- -	- -
Unobligated balance	-1	- -	- -	- -
Total appropriation or estimate .	194,000,000	146,000,000	-3,000,000	143,000,000

EXPLANATION OF DECREASE

The 1967 estimate proposes the amount of \$143 million--a reduction of \$3 million below the 1966 appropriation.

Payments presently estimated to be made in 1967 on the basis of a listing of outstanding contracts total \$147,273,101. However, each year these costs are reduced by cancellations or modifications of contracts, releases, and reductions in annual rental payments due for haying and grazing in designated disaster areas. If these adjustments should not materialize to the extent estimated, it may be necessary to defer some payments until the fiscal year 1968.

The preceding statement reflects the amounts appropriated. The following tabulation shows estimated requirements on the basis of available funds.

PROJECT STATEMENT
(on the basis of available funds)

Project	1965	1966 Estimate	Increase or Decrease	1967 Estimate
Program payments				
Annual rental	\$193,647,296	\$151,462,682	-\$8,462,682	\$143,000,000
Practice	57,635	- -	- -	- -
Total requirements	193,704,931	151,462,682	-8,462,682	143,000,000
Unobligated balance, start of year	-5,156,731	-5,462,682	5,462,682	- -
Unobligated balance, end of year	5,462,682	- -	- -	- -
Recovery of prior year obligations	-10,882	- -	- -	- -
Appropriation or estimate	194,000,000	146,000,000	-3,000,000	143,000,000

STATUS OF PROGRAM

Current Activities: The Conservation Reserve Program was enacted to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program, under which the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in the reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover. He also must control weeds and take other measures as may be necessary to prevent grazing such as building or maintaining fences. The farmer's compliance with the contract binds the Federal Government to make an annual rental payment for the land held out of production and, where necessary, to assist with the cost of establishing the conservation practices on the reserve tract.

14.0 Million Acres Now in Conservation Reserve: The Conservation Reserve program began late in the 1956 crop year and reached a peak of participation with the 1960 crop year signup of 28.7 million acres. This was the last year in which a program for signing up additional acreage was authorized. Contracts covering 2.5 million acres expired at the end of the 1961 program, 1.5 million acres at the end of the 1962 program, 7.0 million acres at the end of the 1963 program, and 3.3 million acres at the end of the 1964 program.

During the 1965 crop season, conservation reserve contracts on 125,511 farms were in effect, covering about 14.0 million acres in all States except Alaska, Hawaii, and Nevada. The acreage was put in the program during the period 1956 through 1960.

The reserve acreage under contract, by States, is shown in Table I.

Conservation Practices Under Contracts now in Effect: On contracts in effect in 1965 approximately 11.6 million acres is under grass and legume cover, nearly 2.1 million acres have been planted to trees and shrubs, and approximately 290 thousand acres are being devoted to wildlife cover and water impoundments for wildlife including the construction of water control structures which flooded about 9 thousand acres of cropland. Tree-planting contracts are for the full 10-year period. When cropland goes out of production and is planted to trees, it is likely to remain out of production for a long period of time, perhaps permanently.

Rental Payments Continue Through Fiscal Year 1973: Since 1960 was the last calendar year in which additional acreage could be entered into the program, and a number of contracts will terminate each year in accordance with the contract provisions, rental payments are scheduled on a diminishing basis as depicted in Table II. It should be noted, however, that cancellation

of contracts causing refund of rental and practice payments may reduce estimated disbursements for each year. Also where conservation reserve acreages are included in designated disaster areas and harvest of cover crops which had been planted on the conservation reserve acreage is permitted, the annual rental payment is reduced which reduces the total amounts to be paid annually under this program.

PARTICIPATION DATA - 1965 CONSERVATION RESERVE PROGRAM

TABLE I

	Total Reserve Acreage All Farms	Estimated Obligations for Annual Rental Payments	Average Rental Rate Per Acre
Alabama	288,266	\$3,357,917	\$11.65
Arizona	1,582	23,730	15.00
Arkansas	264,866	3,050,997	11.52
California	48,742	624,012	12.80
Colorado	973,656	7,415,389	7.62
Connecticut	1,055	18,251	17.29
Delaware	6,165	100,121	16.24
Florida	183,985	1,751,014	9.52
Georgia	861,143	9,641,647	11.20
Idaho	117,583	1,496,261	12.73
Illinois	57,429	967,148	16.84
Indiana	77,135	1,416,718	18.37
Iowa	51,787	930,090	17.96
Kansas	867,040	9,935,682	11.46
Kentucky	128,213	2,171,542	16.94
Louisiana	138,874	1,737,444	12.51
Maine	66,618	795,937	11.95
Maryland	16,250	265,031	16.31
Massachusetts	952	14,060	14.77
Michigan	211,532	2,596,454	12.27
Minnesota	792,029	8,319,615	10.50
Mississippi	117,977	1,489,507	12.63
Missouri	300,313	4,455,696	14.84
Montana	377,415	3,431,505	9.09
Nebraska	330,918	3,818,545	11.54
New Hampshire	9,252	126,456	13.67
New Jersey	4,049	73,602	18.18
New Mexico	720,617	5,903,444	8.19
New York	227,095	2,874,798	12.66
North Carolina	139,785	1,968,107	14.08
North Dakota	1,452,183	14,529,234	10.01
Ohio	93,231	1,636,984	17.56
Oklahoma	768,811	8,267,168	10.75
Oregon	78,499	1,100,505	14.02
Pennsylvania	104,120	1,628,359	15.64
Rhode Island	8	165	20.64
South Carolina	516,405	6,457,905	12.51
South Dakota	841,997	8,603,130	10.22
Tennessee	229,372	3,462,751	15.10
Texas	1,853,936	19,676,869	10.61
Utah	152,955	1,273,908	8.33

Participation Data - 1965 Conservation Reserve Program

TABLE I (cont'd)

	Total Reserve Acreage All Farms	Estimated Obligations for Annual Rental Payments	Average Rental Rate Per Acre
Vermont	25,033	\$334,728	\$13.37
Virginia	38,769	594,576	15.34
Washington	146,321	1,852,453	12.66
West Virginia	21,494	324,372	15.09
Wisconsin	210,071	2,786,888	13.27
Wyoming	64,143	542,421	8.46
SUBTOTAL	<u>13,979,671</u>	153,843,136	<u>11.00</u>
Estimated reductions for haying and grazing in designated disaster areas and refunds contract modifications, etc. (distribution not available by States)		<u>2,380,454</u>	
TOTAL		151,462,682	

Based on contracts in effect January 1, 1965.

TABLE II

ESTIMATED RENTAL PAYMENTS BY FISCAL YEARS

Conservation Reserve Program

Fiscal Year	Annual Rental Payments for Current Contracts (dollars)	Estimated Acres in Reserve (acres)
1966	\$151,462,682 <u>1/</u>	13,979,671 <u>2/</u>
1967	143,000,000 <u>1/</u>	13,299,382 <u>2/</u>
1968 <u>3/</u>	129,023,133	11,202,269
1969 <u>3/</u>	114,548,394	9,547,417
1970 <u>3/</u>	41,925,720	3,531,861
1971 <u>3/</u> <u>4/</u>	822,604	71,275
1972 <u>3/</u> <u>4/</u>	86,951	7,927
1973 <u>3/</u> <u>4/</u>	8,362	704
Total	580,877,846	XXX

1/ Adjusted through January 1, 1965 for refunds, cancellations or modification of contracts, reductions for haying and grazing, etc.

2/ Represents acreage under contract as of January 1, 1965 for the fiscal year 1966 and October 1, 1965 for the fiscal year 1967.

3/ Adjusted through January 1, 1965 for expirations, terminations, and releases.

4/ Represents mandatory extensions because tree seedlings were unavailable during 1960.



(h) Emergency Conservation Measures

Appropriation Act 1966 and base for 1967	\$24,000,000
Budget Estimate, 1967	<u>5,000,000</u>
Decrease (in appropriation for emergency cost-sharing assistance to farmers)	<u>-19,000,000</u>

PROJECT STATEMENT

Project	1965	1966 Estimate	Increase or Decrease	1967 Estimate
Emergency cost-sharing assistance to farmers (program allocations)	\$16,439,593	\$29,843,745	-\$17,843,745	\$12,000,000
Balance brought forward from prior years	-196,889	-2,325,672	+2,325,672	- -
Recoveries of prior allocations	-4,568,376	-3,518,073	-3,481,927	-7,000,000
Balance carried forward to next year	+2,325,672	- -	- -	- -
Total available or estimate ..	14,000,000	24,000,000	-19,000,000	5,000,000
			(1):	

(1) A decrease of \$19,000,000 in the appropriation for emergency cost-sharing assistance to farmers.

There is no way to accurately estimate probable needs for emergency cost-sharing assistance for any given period since it is impossible to forecast disasters in advance of their occurrence or the extent of damage which might result. With an appropriation of \$5,000,000, and assuming recoveries of about \$7,000,000 from prior obligations, funds totaling \$12,000,000 would be available for the fiscal year 1967 to finance corrective actions needed following disasters.



STATUS OF PROGRAM

The Emergency Conservation Measures program was first authorized in the Third Supplemental Appropriation Act, 1957, (Public Law 85-58). Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices) to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Appropriations have been provided for this program as follows:

<u>Public Law</u>	<u>Fiscal Year</u>	<u>Amount</u>
85-58	1957	\$4,000,000
85-170	1958	20,000,000
87-332	1962	5,000,000
88-317	1964	4,000,000
88-573	1965	4,000,000
89-16	1965	10,000,000
89-316	1966	<u>24,000,000</u>
Total		71,000,000

As of July 1, 1965, approximately \$2 million was available for cost-sharing assistance. Additional funds in the amount of \$24 million were appropriated for fiscal year 1966. Of this amount \$9 million has since been allocated to partially cover restoration measures to be carried out in States affected by drought, flood, tornadoes, and hurricanes in the spring and summer of 1965. In addition, we are currently reviewing requests for extension of previously approved programs in the amount of \$6 million.

Recent floods in Arizona, California, and Oregon caused extensive damage to farmlands, streams, and conservation structures. Until such time as a county-by-county survey can be made of this area, there is no way to accurately estimate probable needs for cost-sharing assistance to cover these disasters.

Practices for which cost-sharing assistance is provided under the emergency conservation measures program include:

Flood

Removal of flood-deposited debris from farmlands
Smoothing gullies and field washouts
Restoration of pond levees, sod waterways, drainage ditches, and irrigation systems
Stabilizing stream banks
Releveling or reshaping land damaged by flood waters, which before the flood, had been leveled or shaped, for more efficient use of irrigation water and to prevent erosion
Establishing protective vegetative cover on seriously eroded areas

Drought

Development of wells, springs, and ponds for livestock water
Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation
Restoration of permanent vegetative cover destroyed or seriously damaged on areas which would be subject to serious erosion unless vegetative cover is reestablished
Tillage operations to prevent or control wind erosion

Windstorm

Removal of debris from stream channels, waterways, and ditches
Removal of debris from cropland or pastures
Removal of debris from orchards
Removal of debris from farm woodland

Earthquake

Removal of debris deposited by seismic waves caused by earthquake
Land smoothing and reestablishment of vegetative cover on cropland damaged by fissures resulting from the earthquake
Reestablishment of vegetative cover damaged by scour or deposits of sedimentation by seismic waves
Reconstruction of permanent fences destroyed or impaired by seismic waves

Fire

Reseeding burned over range land
Planting trees on burned over woodland
Repairing range fences
Removing debris from stream channels

There are set forth below, by State, the number of disaster counties and allocations for cost-sharing assistance for the 1964, 1965 and 1966 programs, (as of Jan. 5, 1966).

<u>1964 Program</u>	<u>Number of Counties</u>	<u>Current Authorization</u>	<u>Type of Disaster</u>
Alabama	40	\$385,000	Drought
Alaska	1	5,417	Earthquake
Arizona	1	35,531	Flood
Arizona	3	78,887	Drought
Arkansas	32	446,304	Drought
Florida	5	71,896	Flood
Georgia	5	35,708	Flood
Indiana	27	549,400	Flood
Kentucky	39	580,466	Flood
Kentucky	34	372,154	Drought
Missouri	27	689,928	Flood
Missouri	63	775,000	Drought
Montana	9	393,829	Flood
Nevada	2	18,886	Fire
New Mexico	1	19,950	Flood
North Carolina	35	390,000	Drought
Ohio	9	262,000	Flood
Ohio	37	123,979	Drought
Oklahoma	29	50,942	Drought
Oregon	11	155,205	Windstorm
Pennsylvania	5	24,065	Flood
South Carolina	1	8,000	Drought
Tennessee	4	7,325	Flood
Tennessee	25	553,114	Drought
Virginia	64	431,970	Drought
Washington	3	24,375	Windstorm
Washington	1	8,630	Flood
West Virginia	2	3,332	Flood
West Virginia	23	360,272	Drought
Wyoming	3	60,973	Flood
Total, 1964 program	<u>541</u>	<u>6,922,538</u>	

<u>1965 Program</u>	<u>Number of Counties</u>	<u>Current Authorization</u>	<u>Type of Disaster</u>
Alaska	1	\$35,000	Earthquake
Arizona	1	20,000	Drought
California	14	1,795,000	Flood
California	2	154,000	Fire
Colorado	5	671,473	Wind erosion
Colorado	20	1,950,000	Flood
Florida	6	149,000	Flood
Georgia	7	240,000	Flood
Idaho	22	815,000	Flood
Illinois	5	155,000	Flood
Indiana	18	1,530,000	Tornado
Indiana	7	50,000	Flood
Iowa	30	500,000	Flood
Kansas	15	800,000	Flood
Kentucky	3	60,000	Flood
Louisiana	29	240,000	Flood
Michigan	10	270,000	Tornado
Minnesota	29	325,000	Flood
Missouri	10	80,000	Drought
Missouri	29	650,000	Flood
Montana	9	400,000	Flood
Nevada	4	150,000	Flood
New Hampshire	6	70,000	Drought
New Mexico	9	460,020	Flood
New Mexico	4	49,071	Wind erosion
New York	13	85,000	Drought
North Carolina	14	350,000	Flood
Ohio	14	140,000	Drought
Ohio	16	225,000	Tornado
Oklahoma	29	300,000	Drought
Oregon	33	6,785,000	Flood
Pennsylvania	8	105,000	Drought
South Dakota	3	225,000	Flood
Texas	1	20,000	Wind erosion
Utah	1	11,000	Flood
Vermont	4	30,000	Drought
Virginia	59	175,000	Drought
Washington	13	620,000	Flood
West Virginia	22	140,000	Drought
Wisconsin	3	90,000	Drought
Wisconsin	6	70,000	Flood
Wyoming	4	315,000	Flood
Puerto Rico	4	90,000	Drought
Total, 1965 program	542	21,494,564	

<u>1966 Program</u>	<u>Number of Counties</u>	<u>Current Authorization</u>	<u>Type of Disaster</u>
California	3	\$200,000	Fire
Florida	2	200,000	Flood
Louisiana	22	800,000	Hurricane
Mississippi	1	240,000	Hurricane
Oklahoma	6	230,000	Flood
Total, 1966 program	<u>34</u>	<u>1,670,000</u>	

(1) Indemnity Payments to Dairy Farmers

Supplemental Appropriation Act, 1966, and base for 1967

(Appropriated to the Office of Economic Opportunity and transferred

to the Department of Agriculture for these payments).....\$300,000

Budget Estimate, 1967..... - -

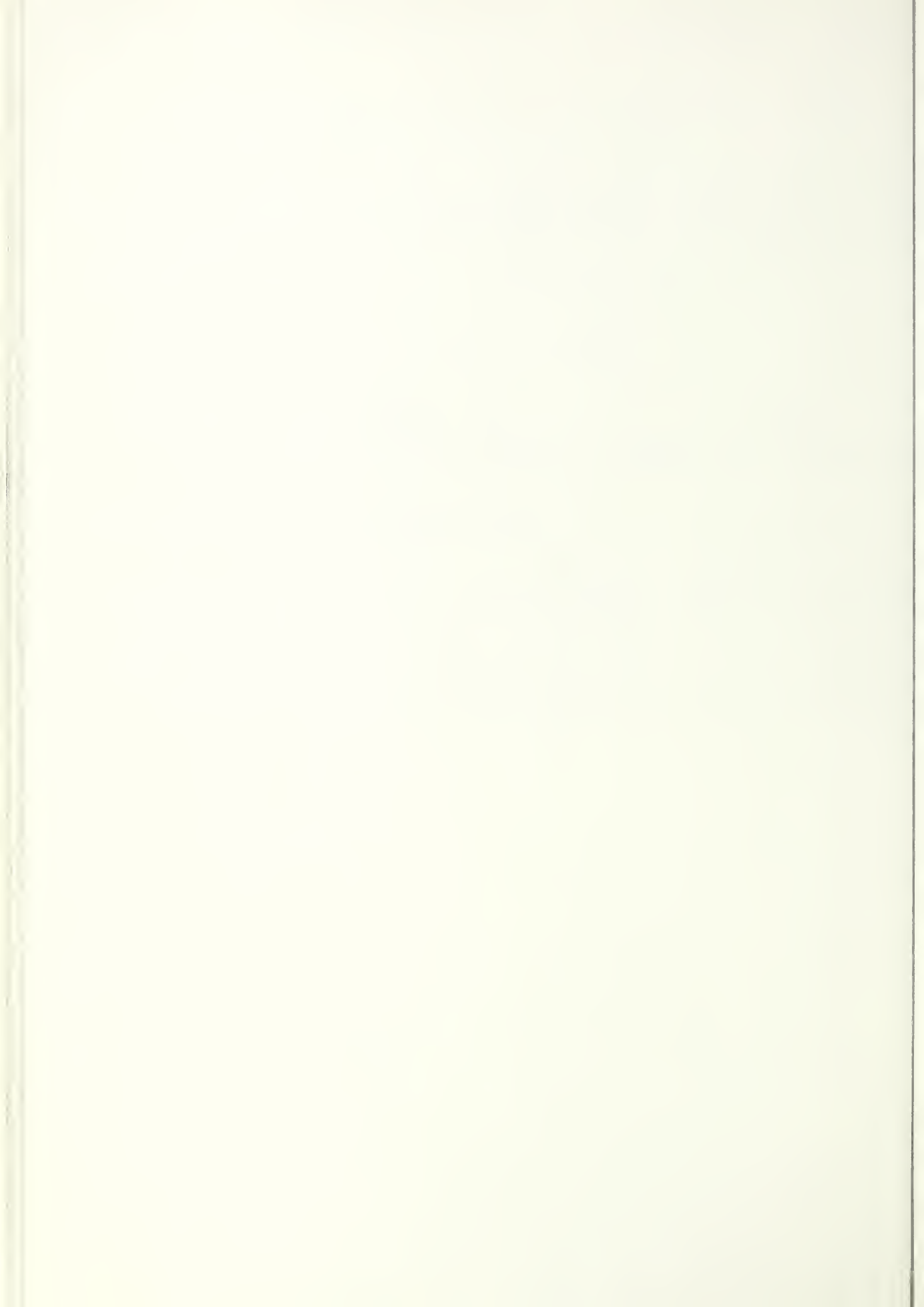
Decrease.....-300,000

PROJECT STATEMENT

Project	1965	1966	Increase or:	1967
			Estimate: Decrease	Estimate
Indemnity payments to dairy farmers....	\$381,373	\$300,000	-\$300,000	- -
Unobligated balance.....	618,627	- -	- -	- -
Total appropriation.....	1,000,000	300,000	-300,000	- -

(1) A decrease of \$300,000 for indemnity payments to dairy farmers.

Indemnity payments to dairy farmers were authorized under the Economic Opportunity Act of 1964. The Secretary of Agriculture was authorized to make such payments, at a fair market value, to dairy farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. This Act was amended in 1965, by P.L. 89-253, to extend authority for indemnity payments through June 30, 1966.



STATUS OF PROGRAM

Current Activities: Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at a fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. Authority under this act terminates June 30, 1966.

Status of Payments: As of June 30, 1965, the status of indemnity payments to dairy farmers was as follows:

State	Applications						Totals
	Paid through June 30, 1965		Pending for period ending January 31, 1965		Pending for period Feb. 1 through June 30, 1965		Through June 30, 1965
	No.	Amount	No.	Amount	No.	Amount	Amount
California	-	-	11	\$11,426.00	-	-	\$11,426.00
Florida	-	-	-	-	1	\$8,800.00	8,800.00
Georgia	-	-	-	-	1	1,259.00	1,259.00
Idaho	-	-	11	4,760.00	-	-	4,760.00
Illinois	1	\$226.91	-	-	-	-	226.91
Iowa	-	-	-	-	6	1,500.00	1,500.00
Kansas	-	-	-	-	6	8,350.00	8,350.00
Louisiana	4	7,469.47	-	-	1	530.53	8,000.00
Maryland	34	121,805.94	5	13,314.00	2	29,627.06	164,747.00
Michigan	1	215.22	-	-	-	-	215.22
Minnesota	1	619.46	-	-	-	-	619.46
Missouri	-	-	-	-	1	1,000.00	1,000.00
New York	-	-	1	11,500.00	-	-	11,500.00
North Carolina ..	-	602.16	4	2,252.00	1	5,145.84	8,000.00
Pennsylvania ...	10	52,677.75	-	-	1	2,322.25	55,000.00
South Dakota ...	-	-	-	-	1	1,020.00	1,020.00
Tennessee	6	4,564.48	-	-	-	-	4,564.48
Utah	114	29,896.80	-	-	10	2,603.20	32,500.00
Virginia	6	23,299.85	-	-	2	5,635.15	28,935.00
West Virginia ..	1	13,740.07	-	-	-	-	13,740.07
Wisconsin	2	5,819.38	5	7,618.00	2	1,772.62	15,210.00
Total	180	260,937.49	37	50,870.00	-	69,565.65	381,373.14

